FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Soviet censorship loses its chill, Page 13

World news | Business summary

ANC deals new blow to Howe mission

The African National Congress dealt another blow to Sir Geoffrey Howe's European Community mission to set up a dialogue between the British Government and black leaders in South Africa when it refused to meet him during his visit this week to the African "frontline" states.

To do so would be a "betrayal of our brothers and sisters in South Africa," Mr Alfred Nzo the ANC's Secretary-General said. Black leaders of the United Democratic Front, South Africa's largest anti-apartheid coalition, earlier refused to talk to Sir Geoffrey.

He postponed his proposed visit to South Africa when President P. W. Botha turned down a meeting with him until the end of the month. Page 14

Waldheim sworn in

Kurt Waldheim condemned anti-semitism in his inaugural speech as Austria's President, but Socialists and many diplomats ignored a standing ovation. Page 2

Marcos denial

Former Philippines President Ferdinand Marcos denied involvement in attempts to take over the government by former vice-presidential running mate Arturo Tolentino as the final rebels left their hotel "seat of government." Page 3

Fresh water supplies

Water from alternative sources is being delivered to Kiev following the Chernobyl nuclear accident, including water pumped from the river Desna and artesian wells at bread and milk plants. Page 2.

Guards escape

Two Czech border guards in jogging suits crossed the fortified frontier into West Germany and asked for political asylum.

Greeks cut mission

Greece moved into line with European Community policy by deciding to cut the 50-strong Libyan mission in Athens by a third. Page 2

Islamic law boost

Pakistan's 87-member upper house unanimously approved a constitutional amendment paving the way for full implementation of Islamic law (Sharia).

Quake hits California

An earthquake measuring six on the Richter scale hit southern California near Palm Springs, buckling roads, knocking out power-lines and starting bushfires. No casualties were reported.

Reagan memoirs deal

Random House publishers concluded an agreement with Mrs Nancy Reagan to publish her memoirs after Ronald Reagan steps down, as US President.

Blow to Gandhi

Indian Prime Minister Rajiv Gandhi's year-old peace plan for the Punjab appeared in tatters after the state rebuffed a land swap with next door Haryana to give Punjab sole use of their shared capital Chandigarh.

Child blindness

About 1m Bangladeshi children under the age of six are blind due to xeropthalmia, an illness cause by lack of vitamin A, according to a health ministry report.

Nilsson's swansong

Top Wagnerian, Swedish soprano Birgit Nilsson, aged 68, is to retire from public performance.

India wins series

The third England-India cricket Test at Edgbaston, Birmingham, ended in a draw, India won the three-match series 2-0.

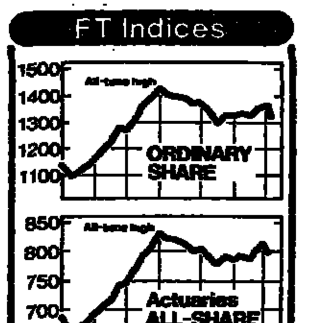
London falls 30.1; Wall St easier

LONDON: stocks tumbled, hit by Wall street's pessimistic mood, and nervous selling pushed gilts lower. The FT Ordinary share index exceeded the March 25 drop of 29.9 to end down 30.1 at 1,317.7, while the FT-SE 100, down 30.1 on the same day, dived 32 to 1,599.0. Page 34

WALL STREET: The Dow Jones industrial average closed 18.27 down at 1,820.73. Page 34

TOKYO: Stocks recovered from early losses and the Nikkei average hit another record, rising 20.08 to 17,734.15. Page 34.

FT Indices



DOLLAR fell in London to DM 2.1805 (DM 2.1835); FFr 6.9850 (FFr 6.9875); SFr 1.7740 (SFr 1.7810), but rose to Y160.85 (Y160.75). On Bank of England figures the dollar's index rose to 113.8 from 113.5. Page 27

STERLING fell in London to $1.5305 ($1.5345); DM 3.3375 (DM 3.3500); SFr 2.7150 (SFr 2.7325); FFr 10.6900 (FFr 10.7225), and Y246.25 (Y246.75). The pound's exchange rate index rose 0.1 to 75.9. Page 27

GOLD rose $2.5 to $347.25 on the London bullion market. It also rose in Zurich to $347.25 from $344.80.

In New York the Comex August settlement was $351.20.

UK MONEY SUPPLY continued to grow outside the Government's target range, dashing hopes of lower interest rates and sending prices of gilt-edged securities lower. Page 14

ARMCO, beleaguered US steel group, said that it would take special charges totalling $150m in its second quarter to cover the rationalisation of outdated and inefficient facilities and the divestment of several non-strategic business units. Page 15

BAXTER TRAVENOL, US health care giant which is in the midst of digesting last year's $3.8bn acquisition of American Hospital Supply, has sold its American Critical Care drug operation to Du Pont for $425m. Page 15

SIEMENS, West Germany's leading electricals concern, expects to hold net profit this year at around last year's level of DM 1.5bn ($687m), despite a likely fall in sales revenue of some 10 per cent. Page 16

ROBERT BOSCH, West German electronics and vehicle components concern, expects to raise world group sales revenue by 3 per cent to DM 22bn ($10bn) this year, with net profit roughly equal to the 1985 figure. Page 17

CASIO Computer, Japan's largest maker of desktop calculators, suffered a 22.4 per cent plunge in consolidated net profits to Y7.05bn ($438m) in the year to end March 1986. Page 17

SANYO Electric, Japan's consumer electric appliance maker, has been hit hard by the yen's appreciation, with pre-tax profits in the half-year to May 1986 down 65 per cent to Y11.31bn ($70.3m). Page 17

NORSK HYDRO, Norwegian energy and industrial group, is trying to prevent a possibly merger between Saga Petroleum, the Norwegian privately-owned oil company, and Elf Aquitaine Norway, a subsidiary of France's largest energy and industrial group. Page 15

LAFARGE Coppée, big French cement group, is raising FFr 1.04bn ($148m) through an international share placement which marks the first foray of a French company on to the so-called Euro-equity market. Page 18

Telecom groups press claims for link with CGCT

BY DAVID MARSH IN PARIS AND JONATHAN CARR IN FRANKFURT

A BATTLE by international electronics groups to build up stakes in the European public telecommunications market appears to be reaching a climax with AT&T of the US, Northern Telecom of Canada and Siemens of West Germany redoubling efforts to secure a foothold in France.

These companies, along with Ericsson of Sweden, are bidding to link up with Compagnie Générale de Constructions Téléphoniques (CGCT), the loss-making French telephone manufacturer which supplies 15 to 16 per cent of the French public market for digital switching equipment.

Mr Karlheinz Kaske, the Siemens chief executive, yesterday signalled his company's clear desire to take over CGCT in the West German group's strongest sign of interest so far in expanding its public switching business in Europe.

Additionally, executives from both Northern Telecom and AT&T are to hold separate meetings next week with Mr Alain Madelin, the French Industry Minister, to press their companies' claims to link up with CGCT.

Stepped-up activity in the year-long wrangling over the future of CGCT has been sparked off partly by last week's accord between Compagnie Générale D'Electricité (CGE) the state-owned French electronics and engineering group, and ITT of the US.

The deal is subject to approval by the French Government which is due to give its decision by the end of the month. The agreement would pool CGE and ITT telecommunications interests in a joint venture which would be the No 2 company in the world (after AT&T) and the biggest, well ahead of Siemens, in Europe.

The deal would give CGE access to the West German public switching market through ITT's present Stuttgart-based subsidiary Standard Elektrik Lorenz (SEL). The prospect of intensified competition at home and a stronger CGE attack on other European markets appears to have strengthened Siemens' own desire to build up a bridgehead in France through CGCT.

CGCT, formerly owned by ITT before it was nationalised by the previous French Socialist Government in 1982, is on the new right-wing administration's list of companies to be privatised. Although up to now the Government has said it wants to limit foreign companies to minority stakes in denationalised companies, Mr Kaske indicated that he would be willing to use some of Siemens' considerable cash resources in acquiring control of CGCT.

The former ITT company lost FFr 200m ($29m) last year and has already decided to hive off its private telephone business.

CGE last year concluded a separate agreement with AT&T under which the US group would take over CGCT's share of the French public switching market and in return would help CGE sell its E 10 digital switch in the US.

This deal – which also provided for the two to merge microwave transmission activities under CGE control – has been held up, however, because of suspicions of both the Socialist and the right-wing governments about allowing the US company into France.

The AT&T and ITT accords are formally being treated by the Paris Government as two separate affairs. But the Government's need to make up its mind quickly on last week's CGE – ITT agreement is widely regarded as increasing pressure on Mr Madelin to make a speedy decision on the long-standing CGE-AT&T accord.

Background, Page 16

EEC budget proposals may solve cash crisis

BY TIM DICKSON IN STRASBOURG

NEW BUDGET proposals by the EEC's Council of Ministers set the stage yesterday for a possible way out of the Community's growing cash crisis.

Hopes were rising last night that vital negotiations due to take place in Strasbourg this afternoon could result in agreement between the European Parliament and the member-states over a new 1986 budget.

The EEC's finances were thrown into disarray last week when the European Court ruled that the European Parliament exceeded its powers last year by declaring the Community Budget final without the agreement of member-states. This means the Community is without a budget for the current year and could run out of money if a settlement is not reached soon.

The key move yesterday was a Council plan for total 1986 spending of Ecu 35.076bn ($34.7bn) – a proposal which is made up of slightly higher expenditure on agriculture and somewhat less on aid to developing nations and technology research than envisaged in an Ecu 35.1bn budget proposed by the European Commission last week.

The Council's new proposal went through by a comfortable majority in the early hours of yesterday, with only Italy and Greece abstaining.

It was seen in Strasbourg yesterday as being in the long tradition of shrewd EEC compromises. The amount spent on guaranteeing Community farm prices would be roughly Ecu 185m more than implied by the Commission proposal – a move which will in particular placate the French and the West Germans – while the sums devoted to the EEC regional and social funds as outlined by the Commission have not been touched.

This should please the European Parliament, a point Sir Geoffrey Howe, the British Foreign Secretary, emphasised in his speech to the Assembly yesterday when he said that the Council had agreed on "the full provision – not one Ecu less."

The parliament, however, is likely to be less pleased with the Ecu 120m reduction in what is termed "other, non-compulsory spending." This is made up of Ecu 70m in aid to developing countries and a further Ecu 50m allocated for technology research.

The parliament's budget committee, however, is nevertheless thought to be in a mood for compromise and feels that it has proved its point given that in view of the need for a supplementary budget this year, the new Council proposal is higher than the Ecu 33.5bn favoured by the parliament at the end of 1985.

The new Council figures also leave a margin of Ecu 47m below the absolute ceiling on Community spending implied by the 1.4 per cent VAT ceiling, which – added to money left over from last year – could give the parliament about Ecu 106m with which to manoeuvre in its negotiations today.

Howe promotes EEC, Page 2

Harley-Davidson roars back

BY PAUL TAYLOR IN NEW YORK

HARLEY-DAVIDSON, the US motorcycle manufacturer beloved by bike enthusiasts, Hell's Angels and the California Highway Patrol alike, roared back on to Wall Street yesterday with a $92m offering of debt and equity securities.

Underwriters led by Dean Witter Reynolds sold 2m shares at $11 each and a $70m issue of Harley-Davidson 10-year 12½ per cent notes priced at par. The share offering had been increased from 1.43m, while the debt offering was increased from $50m.

The public offering was greeted on Wall Street with the kind of razzmatazz that only America can generate. The company's prospectus, for example, was adorned with a full colour centre-page picture of Mr Malcolm S. Forbes, the wealthy business magazine publisher, who posed in a leather outfit with some of his 72 motorcycles – most of them Harleys.

The 83-year-old group was first taken public in 1965 before being acquired by AMF in 1969 and subsequently taken private again in a $65m management leveraged buy-out in 1981. Its return to public ownership marks a remarkable turnround for a company that looked set to become the latest victim of Japanese competition just a few years ago.

In 1983 Harley, the last surviving member of a US motorcycle industry which once numbered about 150 companies, was rescued from almost certain demise by heavy import tariffs imposed by the Reagan Administration.

The import tariffs, starting at almost 50 per cent on motorcycles with engines larger than 700cc but due to drop back to 4.4 per cent in 1988, have provided Harley with a much-needed breathing space.

Since their imposition the Milwaukee-based company's management, led by Mr Vaughn Beals, chairman and chief executive, and Mr Willie Davidson, grandson of one of the company's co-founders, has made dramatic changes, slashing costs and bolstering quality.

Harley has had to weather a slump in the US motorcycle market – and still has a paltry market share of less than 5 per cent – but has managed to edge back into the black with sales last year of about $300m after years of heavy losses.

Perhaps just as important for the once-proud company which had seen its hold on the large-capacity motorcycle market evaporate in the face of lower-priced imports from Kawasaki, Suzuki, Yamaha and Honda, is the fact that it has managed to regain some of its former glory.

Harley's machines, most with engines of over 1,000cc and costing from $6,000 to $12,000 were popularised in movies like The Wild One and Easy Rider but slipped out of fashion in the late 1970s, with enthusiasts complaining that they lacked the sophistication of the Japanese imports.

But Harley, helped by the import tariffs, has stormed back with new models which riders say are a vast improvement.

Proceeds from yesterday's public offerings are expected to be used in part to develop a new Harley, the Nova, with a Porsche-designed engine, which the company hopes will be competitive with Japanese products

Central controls 'stifling Chinese reforms'

By Colina MacDougall in London

CHINESE economists have delivered a blistering attack on government policy, declaring that the country is facing severe difficulties. They warned of a grave threat to the country's economic reform plans, which are vital to the modernisation programme devised by Deng Xiaoping, the Chinese leader.

This view contrasts sharply with the optimism expressed by Chinese officials, notably the party general-secretary, Hu Yaobang. He said during his recent European tour that economic growth this year had slowed from "80 to 60 miles per hour."

An article by three economists in the Shanghai-based World Economic Herald and a symposium report in Peking's Economic Studies Weekly, available in London this week, analysed the effects of the country's deliberately imposed economic slowdown.

The World Economic Herald concluded that "production is plunged into chaos" and that China was suffering a worsening economic structure, diminishing resources, a drop in circulating capital and rising costs.

This gloomy economic judgment was supported by Peking's decision last week to devalue its currency by almost 16 per cent against the dollar, a move possibly intended to stimulate production for export.

The key component of Deng's economic reform, the devolution of power away from the centre to the factories, is in trouble. The World Economic Herald said that tighter control meant "power which was transferred (in 1984) to the enterprises has actually been withdrawn."

Senior Chinese economists have argued that the reform cannot work unless it is fully implemented. However, the leadership, under pressure from conservative Marxist critics and fearful of unleashing inflation, has reimposed central control. These articles are the clearest statements yet of the damage inflicted by retrenchment.

This was imposed last year after the economic reforms of 1984 spurred first-half growth in 1985 to about 24 per cent, with consequent inflation and shortages. Growth slowed in July-December last year, giving an annual rate of 18 per cent but fell sharply in January-April 1986 to only 4.2 per cent.

China has effectively now abandoned its reform policy, the World Economic Herald said, by applying retrenchment policies identical

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Court rejects claim over UK nationalisation

BY TIM DICKSON IN STRASBOURG AND ANDREW FISHER IN LONDON

THE EUROPEAN Court yesterday ended a lengthy and bitter dispute between several UK companies and the UK Government by rejecting compensation claims over shipbuilding and aircraft companies nationalised by the last Labour Government.

A group of former shareholders in the nationalised companies, including Vickers and GEC, claimed that the original compensation of around £130m was far too low. If met, their claims for extra money would have been around £500m.

The judgment, which had been generally expected to be in the Government's favour, has important implications for the present Government's privatisation programme, since it opens the way for renationalisation without the threat of later action by shareholders.

Sir William Lithgow, one of the principal claimants, who was in Strasbourg yesterday, said angrily outside the court that "the Government has scored the biggest political own goal in current political history."

"It's bye-bye to privatisation and bye-bye to the Hong Kong Treaty, which depends on respect for Western style property rights," he said. Sir William, a former shareholder in the John G. Kincaid marine engine company, said the judgment could pave the way for a renationalisation of British Telecom by a future Labour Government without adequate compensation.

"You can hardly expect Marxists in Peking to pay decent compensation for property rights when the Government has pleaded that no such rights exist in Britain," he said on the situation in Hong Kong, where Britain's lease expires in 1997.

As for British Telecom, which the Labour Party has said it intends to take back into public ownership, he advised shareholders to sell their holdings immediately.

Sir William and the other claimants argued that the original compensation paid after nationalisation of the assets in 1977 was "grossly

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US Steel signs its name with an X

BY WILLIAM HALL IN NEW YORK

US STEEL, which was founded by Andrew Carnegie and J. P. Morgan, two of America's most famous businessmen, and has long symbolised US industrial might, is changing its name to USX Corporation.

The move is intended to distance in investors' minds the 15th largest US company's growing non-steel activities from its marginally profitable steel operations. More than half of the group's sales now come from its relatively young oil and gas operations.

Mr David Roderick, chairman, announced the change of name yesterday as part of a major restructuring which will enable the leading US steel producer "to expand into new and profitable areas of business in the future which meet our goals of financial strength and stability."

Mr Roderick stressed that his company had no intention of pulling out of the battered US steel industry and said that the new corporate identity, USX, kept an appropriate link with the past. The "US" is derived from US Steel and reflects "the historic role we have played in the American economy." The "X" has been the company's New York Stock Exchange symbol since 1924 and will remain the same.

Despite Mr Roderick's brave words, US Steel is a shadow of its former self. When it was formed in 1901 it was the largest company ever launched in the world, with a capital of $1.4bn which was almost three times as large as the US government's annual budget. More than three dozen millionaires were created overnight and the company controlled 70 per cent of US steel making capacity. "Big steel," as it is sometimes known, has always commanded respect.

During the 1929 stock market crash, Mr Richard Whitney, acting president of the New York Stock Exchange, tried to stem the collapse in share prices by striding across the floor of the exchange and silencing the panic by ordering 10,000 US Steel shares at $205 – an order which has been described as the most famous order in the history of the market.

The chairman of US Steel long

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British Steel results, Page 14; Armco takes $150m charges, Page 15

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EUROPEAN NEWS

Howe promotes EEC as third superpower

BY PAUL CHEESERIGHT IN BRUSSELS

SIR GEOFFREY HOWE, the British Foreign Secretary and currently president of the European Community's Council of Ministers, yesterday sought to assert the role of the Community as a world superpower.

He presented the Community as an equal of the US and the Soviet Union and a bridge in the improvement of relations between East and West. Such an improvement does not depend exclusively on the US and the Soviet Union, he told the European Parliament in Strasbourg.

"We must take every opportunity to seek common ground and real progress. All of us can help build the relationships," he said.

The notion of the Community as a pivot for East-West relations has been a dream of European diplomats for nearly a generation. But performance has rarely met the aspiration largely because the Community has found it difficult to define precisely what it wants to achieve and how it might achieve it.

Thus, Sir Geoffrey warned, in a speech designed to set out British priorities for the six months during which it holds the Community presidency, "we cannot hope to respond as a Community to events which affect our vital interests unless the growing habit of co-operation in foreign policy becomes second nature."

This was one of several warnings Sir Geoffrey had for the European MPs. Like a new convert to the cause of the Community, where Britain has so often appeared isolated, he stressed the virtues of co-operation.

"We cannot hope to compete in world markets until we compete in our own. And we cannot compete in our own unless we have broken down the remaining barriers," he declared.

The only way to beat the competition pressing in from the US, Japan and the newly industrialising countries "is by mobilising our resources so that we produce more at a better price," he said.

All of this provided the rhetorical background to justify the specific areas of policy the UK will be pushing during its presidency with the aim of creating a bright, new, alert Community.

They include not just the creation of a single market but also the development of "a technological Community" and the adaptation of the common agricultural policy so that it does not swallow two-thirds of the Community budget—when the "beneficiary is not the consumer, not the taxpayer and not even the farmer." At the same time he promised that the UK would be pressing for a strategy of employment growth.

Mitterrand explores summit prospects

By Patrick Cockburn in Moscow

MR MIKHAIL GORBACHEV and President Francois Mitterrand had confidential discussions here yesterday about East-West relations and the prospects for a summit. The French President, who is in Moscow on a three-day visit, is carrying a message from President Ronald Reagan but a French spokesman denied yesterday that he was acting as an intermediary.

Relations between Washington and Moscow have become warmer over the past month but Mr Gennady Gerasimov, the new Soviet Foreign Ministry spokesman, said yesterday: "The problem is that the atmosphere . . . is not ready for a summit meeting to be fruitful and lead to positive results."

The Soviet Union continues to insist that there must be some arms controls measures agreed and a simple meeting between the Soviet and US leaders is not enough to justify the summit which was agreed in Geneva last year.

The French spokesman said yesterday that the talks between Mr Gorbachev and President Mitterrand had been characterised by "an extraordinary directness and comprehension."

France is also eager for the Soviet Union to redress the trade balance which is in Moscow's favour because of Soviet exports of oil and gas. Mr Gerasimov said that Mr Boris Aristov, the Foreign Trade Minister, had proposed a joint venture project under which Soviet agricultural machinery would be assembled in France.

In recent months the Soviet Union, short of hard currency because of the fall in the oil price, has offered joint ventures to several Western trading partners but the terms are vague.

● Mr Gerasimov yesterday described as fantasy a report in the West German newspaper Bild that Dr Andrei Sakharov, the dissident Soviet scientist, is to be exchanged for Mr Nelson Mandela, the jailed South African nationalist leader.

Strasbourg ends UK industrialists' hopes of more compensation

Tim Dickson charts the final chapter of a legal saga which began when Britain's last Labour Government nationalised aircraft and shipbuilding companies in 1977

THE UNHAPPY figure of Sir William Lithgow said it all. "A British citizen and a shipbuilder by profession" as the official documents touchingly described him, the man who has best symbolised the fight for higher compensation on behalf of former shareholders in aircraft and shipbuilding companies nationalised by the last Labour Government in 1977, left Strasbourg yesterday knowing that his campaign had reached the end of the road.

Sir William, a once substantial shareholder in John G. Kincaid and Company, one of the nationalised concerns, was among seven applicants who took their claims to the European Human Rights Commission at various times in the late 1970s and early 1980s.

Their case was firmly rejected by the commission in 1984 but was referred to the European Court of Human Rights for a final ruling – a ruling which was published yesterday and which effectively extinguished the last flicker of hope for a more generous settlement.

The court rejected all claims by the applicants that the UK Government had violated individual property rights under Article 1 of Protocol No 1 of the European Convention and similarly turned down allegations that the former shareholders had been denied the right to a fair trial and the chance to seek an effective remedy before their own national authority.

None of the plaintiff in what has been one of the most protracted and most complex cases in the history of the Strasbourg court ever contested the principle of nationalisation as such.

The substance of their complaints, which were not identical in each case, was that the compensation they received was "grossly" insufficient, notably because of the long delay between the so-called "reference period" between September 1973, and February 1974, which was used as a basis to calculate market values and the "Vesting days" in 1977 when the undertakings concerned actually passed from private into public ownership under the terms of that year's Aircraft and Shipbuilding Industries Act.

Besides Sir William, the applicants were Vosper in respect of its subsidiaries Vosper Thorneycroft (UK) and Vosper Shiprepairers; English Electric Company and Vickers, which jointly owned British Aircraft Corporation (Holdings); Vickers, in respect of its subsidiary Vickers Shipbuilding Group; Yarrow, which owned Yarrows (Shipbuilders); Dowsett Securities, Investors in Industry and the Prudential Assurance Company, which were joint owners of Brooke Marine, an East Anglian shipbuilding company; and Banstonian Company and Northern Shipbuilding & Industrial Holdings, which owned Hall Russell & Company.

The former shareholders in all cases argued that there was no provision for taking account of the growth of the companies concerned of inflation between the reference periods and vesting days – an interval which was inordinately long because of the lengthy parliamentary proceedings involved.

In addition certain applicants maintained that the price paid in compensation should have contained a premium to reflect their large and in some cases controlling interests in the businesses nationalised.

The Court's judgment rests largely on what it calls the "wide margin of appreciation" it believes the UK Government enjoyed in this case. This is an important principle which is often applied by the court in cases where governments are accused of infringing certain basic rights. It describes the discretion or room for manoeuvre, which states are allowed in restricting such rights in the cause of some wider democratic interest.

In an important confirmation of the commission's previous verdict, the court argued that compensation terms are material in assessing whether a measure depriving a person of his property strikes a fair balance between the demands of the general interest of the community and the protection of the individual's fundamental rights.

But while the taking of property without payment of compensation "reasonably related to its value" would normally constitute a "disproportionate interference" which could not be justified under Article 1, the standard of compensation required in a nationalisation case might "provided that the aforesaid fair balance was preserved, be different from that required in regard to other takings of property."

The state "had a wide margin of appreciation as regards not only the decision to nationalise but also the compensation terms. The court would respect the judgment of the United Kingdom Parliament in the latter connection unless it was manifestly without reasonable foundation."

On the claim for higher compensation, the court noted that a common compensation formula had to be established at the outset, that the public sector had borne the burden of any depreciation as well as reaped the benefit of any appreciation, and that any growth in the companies might have been attributable to factors outside the applicants' control."

On inflation, the court observed that compensation had borne interest from vesting day, before which the applicants had been entitled to some income from their investments; and that adjustment to retail prices would have given them an advantage not available to other investors.

On the special value of large shareholdings, the court said: "It would have been questionable to assume that a buyer could be found for the large blocks of shares in question and that it was not unreasonable for the UK to consider that compensation would be more fairly allocated if all the owners were treated alike."

Among a number of dissenting opinions on certain points the most significant was one supported by five of the 18 judges that the failure to make an adjustment to take account of the disparity between the reference period and vesting day values was a violation of Protocol 1.

Militant hand to take helm of IG Metall

BY RUPERT CORNWELL IN BONN

FRANZ STEINKUEHLER, the young and assertive deputy head of IG Metall, West Germany's largest and most influential trade union, is now certain to take over as its president when Mr Hans Mayr formally steps down in Hamburg this October.

The 64-year-old Mr Mayr, who has led the 2.5m strong metal and engineering union since 1983, gave notice of his intention to quit at a meeting of the IG Metall executive in Frankfurt yesterday. Mr Steinkuehler, 15 years his junior, was then unanimously nominated as his successor, a union statement said.

The replacement of the mild mannered Mr Mayr by a man who is, at least by the standards of West German trade unionism, uncomfortably militant has long been expected. But that will not make it any more reassuring for either the Government, or for employers in the country's most important manufacturing and export sector. Nor, indeed, will some officials within IG Metall be without misgivings.

Mr Steinkuehler, with his blunt and forthright style, is likely to be much less accommodating of views which differ from his own.

From a power-base in the highly industrialised and prosperous engineering industry around Stuttgart in the state of Baden-Wuerttemberg, he gained his spurs in the early 1970s by winning a strike there in support of better working and severance conditions.

But he only attained real national prominence two years ago, when he was the driving force behind the seven-week strike in support of a shorter working week. Although the ultimate agreement — for a cut to 38.5 hours from the previous 40 hours — fell far short of IG Metall's original 35 hour demand, Mr Steinkuehler proved himself a man to be reckoned with by all.

He is credited with devising the idea of targetting strikes on a few factories producing key components, in order to cause as much disruption as possible for the smallest of outlays from union funds. The length of the strike, which paralysed almost the entire West German car industry for seven weeks in the early summer of 1984, showed how effective such tactics could be.

Indeed, its very success led to a clash earlier this year between Government and unions, in which Mr Steinkuehler is again in the front line. He is the most outspoken opponent of the new legislation forcing unions to disburse strike pay to workers indirectly involved in a labour dispute—a measure which has brought relations between Government and unions to their lowest pitch in years.

As chairman of IG Metall, Mr Steinkuehler will be a central player in efforts to patch up the row. Paradoxically, some observers feel that the very fact that he is on the left wing of the labour movement gives him a better chance of making a durable peace with the Government, albeit one of the centre-right.

Mr Steinkuehler: blunt and forthright style

W. Germans invest more abroad

West Germany recorded a net outflow of DM 13.38bn on the May capital account, combining long- and short-term capital flows, compared with a net outflow of DM 9.7bn in April and DM 1.6bn in May last year, the Bundesbank said, Reuter reports from Frankfurt.

This was largely due to a fall-off in foreign investment in West German securities, the Bundesbank said. Foreigners bought DM 2.4bn of domestic bonds, down from DM 6.3bn in April. Foreign purchases of shares almost halved to DM 700m from DM 1.3bn. But West German purchases of foreign securities rose to DM 5.1bn in May from DM 3.9bn in April.

Yugoslavian losses

Yugoslavia's economic crisis is hurting business even in the prosperous republic of Slovenia, and 716 companies there made losses totalling $130m in the first three months of the year, Reuter reports from Belgrade, quoting the Tanjug news agency.

Swiss motorway tax

Opponents of a controversial Swiss motorway tax yesterday submitted a petition requiring the government to hold a second referendum on the measure, Reuter reports from Berne. They want to revoke a SFr 30 (£11) annual fee for car drivers using Swiss motorways. The full fee is also charged at border crossings for foreign motorists, many of whom want to use Swiss highways just to cross the Alps for their summer holidays on the Mediterranean.

Protests as Waldheim sworn in

BY PATRICK BLUM IN VIENNA

DR KURT WALDHEIM, the former United Nations Secretary - General who has been at the centre of an international controversy over allegations that he was implicated in Nazi atrocities during the war, was sworn in as Austria's President yesterday at a brief ceremony in Parliament.

Inside the chamber many Socialist deputies, including Dr Fred Sinowatz, the party leader and former Chancellor, sat grimly through the ceremony as Dr Waldheim called for co-operation and renewed his promise to be an active President. Dr Sinowatz resigned as Chancellor after Dr Waldheim's victory in the presidential elections last month. The Socialist party fought hard to stop Dr Waldheim who is backed by the conservative People's party.

The presidential campaign was dominated by the controversy over Dr Waldheim's past and ended in bitterness and division amid signs of a resurgence of anti-Semitism. Austria's image internationally was also badly damaged.

In a gesture of protest, the Israeli ambassador who had been called home for consultations after Dr Waldheim's election, was absent from the ceremony. The ambassadors of the US and the Soviet Union were absent because of other engagements.

Not far from Parliament, a small group of protesters, some dressed in concentration camp uniforms, called for Dr Waldheim's resignation and briefly held up a banner which said: "No to a war criminal President." The banner was pulled down by the police who then had to protect the demonstrators against threats by Dr Waldheim's supporters.

In a separate demonstration, a group of Austrian artists and intellectuals unveiled a 12-foot high wooden horse in front of some 1,500 people outside St Stephan's Cathedral. The horse was a reference to Dr Waldheim's horse-riding days with a cavalry group that was incorporated in the Nazi SA before the war, and to a joke by Dr Sinowatz, who said during the campaign that he accepted that Dr Waldheim was not a Nazi but that his horse was.

Ozal to test popularity in 11 by-elections

By David Barchard in Ankara

TURKEY'S Prime Minister, Mr Turgut Ozal, has braced himself for a key test of his popularity with voters by announcing that there will be 11 simultaneous by-elections to fill vacant parliamentary seats on October 12.

The 11 seats in the 400-member Parliament are empty as a result of deaths of members elected in 1983. Elections to fill vacant seats are normally held only once during the lifetime of a Turkish Parliament.

At the 1983 general election, only three out of the country's 15 political parties were allowed to stand.

Alternative water supply system built for Kiev

AN ALTERNATIVE water system has begun delivering water to Kiev as a preventive measure following the Chernobyl nuclear accident, according to the official news agency Tass, Reuter reports from Moscow.

Tass said a pumping station had been built on a swamp to take water to Kiev from the Desna river, a tributary of the Dnieper which flows through the city and supplies almost half its drinking water.

It quoted the Ukrainian minister of special construction works, Mr Vladimir Borisovsky, as saying that water from the Dnieper was still meeting all health norms following the accident on April 26 at the Chernobyl nuclear power plant, 80 miles north of Kiev. "But in connection with the Chernobyl accident a danger arose of radio-active substances getting into the Dnieper," he said.

● Euratom, the European Community's nuclear energy agency and the US Department of Energy have agreed to cooperate on research into the effects of radiation on health, writes Paul Cheeseright in Brussels.

Co-operation envisaged includes not only exchange of information but joint research projects. The agreement underscores the deepening concern about nuclear energy protection

The Community's radiation protection programme, running from 1985 to 1989, has a budget of Ecus58m (£37m).

Air France strikes over competition

By David Marsh in Paris

A 24-HOUR strike today by Air France employees in protest against the French Government's limited air traffic deregulation measures is expected to curtail severely flights by France's national carrier.

The strike, which will affect above all medium-haul flights around Europe, has been provoked by the Government's decision to allow two private French air companies to start services to the French Antilles and the island of Reunion in the Indian Ocean.

The flights, by the private companies Point-Air and Minerve, break Air France's monopoly on services to the country's overseas departments.

Air France unions, including representatives of all the country's big labour confederations as well as groups representing pilots, cabin crew and mechanics, have condemned the Government's decision as introducing unfair competition on overseas routes.

Unions claim that the private companies will not have to fulfil the same obligations of regular services laid down for the national carrier.

The row over the Government's plans to dilute some of the monopoly rights of Air France comes at a time when France and other EEC countries have been opposing plans pushed by Britain to liberalise air traffic within the European Community.

Libyan mission in Athens to be cut by a third

By Andriana Ierodiaconou in Athens

THE GREEK Government confirmed yesterday that the number of diplomats at the Libyan People's Bureau (embassy) in Athens is to be cut by about a third. But it remained unclear whether the decision had been taken by Athens or Tripoli.

In an initial response to a press report, a government spokesman said the Greek Government had asked Libya to reduce the size of its diplomatic mission, believed to number 57 diplomats. Fifteen to 20 people were to quit the country, he said. Later, however, another spokesman said the decision had been taken by Libya.

Greece signed the European Community declaration on international terrorism last May which required member states to set fixed limits on the size of Libyan diplomatic missions. It said later, however, that it was not convinced by evidence regarding Libya's involvement in international terrorism.

Over the past two months Athens has repeatedly denied reports that it has moved quietly to expel Libyan diplomats.

Alan Friedman in Rome profiles the dynamic chairman of Italy's largest industrial conglomerate

Prodi forces state businesses to get down to business

"THE GOVERNMENT may be in crisis, but here at IRI we have work to do, and we will do it." Professor Romano Prodi, 47-year-old chairman of state-owned IRI, Italy's largest industrial and financial conglomerate, is not about to let the squabbles between Mr Bettino Craxi's Socialists and the Christian Democrats interfere with his agenda.

The dynamic Prof Prodi has before him several controversial matters, not least among them his proposed sale to force a majority control of the Alfa-Romeo car company.

Prof Prodi is a man of many talents. The eighth of nine children from a family of humble origins in the Emilia Romagna region of Italy, he has behind him a wide variety of academic business and government experience. His past curriculum includes membership of the Christian Democrat party, a professorship in economics at the University of Bologna, the chairmanship of Maserati and of the respected Nomisma Research Institute in Bologna which he founded, a stint as Italy's Industry Minister during which he created the landmark "Prodi law" on state-administered company receivership and since 1981 his chairmanship at the Rome-based IRI group.

Now, however, Prof Prodi is facing some of the biggest challenges of his career. He can already boast of having reduced IRI losses by large-scale reorganisations among many of its 500 subsidiaries by partial privatisation equity sales and by trying to run the group more as a business and less as a fiefdom for political patronage.

IRI is still very much a part of the Christian Democrat sphere of influence, just as the ENI state energy group is close to the Socialist party. But the Prodi regime has been tough and, in Italians terms, less political than is the rule.

The group is predicting losses this year of around L600bn (£261m) against L1,115bn last year and L2,280bn in 1984.

IRI's total consolidated turnover last year was L44,901bn, making the group Italy's largest. The biggest private sector group, Fiat, had sales of L26,300bn in 1985.

Since becoming IRI chairman, Prof Prodi has supervised a programme of partial privatisation of state companies and has raised L4,281bn by way of share issues in Milan and London and direct sales.

Among the most notable privatisation issues have been those for SIP (the state telephone company), Banca Commerciale Italiana (the second largest Italian state bank), STET (the telecommunications equipment group), Alitalia (the airline) and the sale to Citicorp of the Naples-based Banca Centro Sud regional bank.

Past accomplishments, however, are not enough. Never mind that leading Wall Street investment bankers speak of Prof Prodi as "one of the first Italian state industry leaders with whom one can do business"—the ebullient and shrewd Romano Prodi likes his plate to be full, and savoury.

Professor Prodi . . . facing biggest challenges of his career.

On July 21, for example, IRI and Ford are expected to unveil a plan designed to save Alfa Romeo from disaster. Ford will inject hundreds of millions of dollars, guarantee to saturate Alfa's productive capacity of 400,000 cars a year and maintain the Alfa name.

The sparks have already been flying in Italy. Fiat, which has more than 50 per cent of the national car market, does not relish the idea of competition from a Ford-Alfa alliance, especially since Fiat and Ford saw their own efforts to perfect a European car merger fail last autumn.

Industry observers, however, feel that a Ford-Alfa deal may be the best for the future of Alfa Romeo and for its 22,000 workers.

At around the same time that the Alfa controversy breaks out anew another IRI issue will grab the headlines. This will be a final court decision in Rome on the April 1985 contract signed by Prof Prodi and Mr Carlo de Benedetti, under which the latter was to have bought the SME foods and supermarkets group.

That privatisation ran into immediate opposition from Mr Craxi, who managed to turn it into another long-running Italian soap opera. Socialist-leaning companies somehow appeared with counter-offers, and last March a court ruled that Mr Clelio Darida, Minister for State Holdings, had no right to block the deal.

Within weeks the SME controversy will re-ignite, proving once more that, desipte its political stability and improving economy, Italy remains a country of too much intrigue and obfuscation.

After Alfa Romeo and SME comes another tricky matter, this one the privatisation of a large part of IRI's Italsider state steel works at Genoa. The privatisation should see 80 per cent of the Cornigliano (Genoa) bloom and billet works sold to a consortium led by Mr Luigi Lucchini, the Brescia steel magnate who is also president of Confindustria, the Italian employers' association.

It will solve some of Italy's state steel problems, transferring 305,000 tonnes of production to the private sector. But even Prof Prodi admits that there is more to be done: steel losses represent two thirds of IRI's total annual losses.

Assuming that he weathers the summer—his preferred method of alleviating stress is to dine with friends and family in his beloved Bologna and to cycle 50 km through the Appenine mountains of Emilia—he will face the challenges in the autumn of Mediobanca, the merchant bank, and Italtel, the state telecommunications equipment maker

The struggle for control of Mediobanca, the powerful Milan bank 57 per cent IRI-owned, was resolved in part last autumn. By next September 30 IRI is meant to sell 6.8 per cent of it to a group of existing shareholders, the old club of traditional Italian capitalism led by Fiat and Pirelli. Then comes the second phase, which will see more controversy as to who is allowed into Mediobanca

Later in the autumn, Prof Prodi will have to examine plans for the merger of Italtel and Fiat's Telettra. He says he believes in the logic of rationalising Italy's telecommunications equipment business, although he is not too impressed by the recently announced ITT-CGE deal in Paris.

If any thread runs through these various matters it may be a certain degree of conflict between Prof Prodi's IRI and Mr Gianni Agnelli's Fiat. This is the case on Alfa Romeo, Mediobanca and to a certain extent on the Italtel-Telettra question. And it is for this reason that in the hurly-burly world of Italian capitalism, trade-offs between car deals and banks may appear strange, but in fact are perfactly understandable once one looks at the "big picture."

Prof Prodi prefers not to describe the issues in this way. He says simply: "I have a lot of work to do."

German merger rules 'should be tightened'

AN INDEPENDENT commission of monopoly experts said yesterday that it was worried by large corporate mergers in West Germany and proposed that the rules governing them should be toughened up, Reuter reports from Bonn.

A report by the monopoly commission cited the recent takeover of the AEG electricals group by carmaker Daimler-Benz, which has created the largest company in the country, as an example of the powerlessness of anti-cartel authorities when faced with the formation of large conglomerates.

Critics of the merger have said it stifles competition and places too much power in the hands of too few people.

"The non-prohibition of the Daimler-Benz/AEG merger raises the question whether current laws allow for sufficient control over large mergers," the commission said in a regular report, made every two years.

Under current rules, the Federal Cartel Office, which is charged with supervising mergers in West Germany, can block a merger only if it can prove that the corporate link-up would lead to the new company dominating specific markets.

But the report proposed extending the Cartel Office's brief to include blocking a large merger if it could not be expected to improve competition in West Germany.

The Daimler/AEG merger sparked debate in West Germany earlier this year about the power of large corporations and the influence of the country's banks – which have substantial holdings in industry – in arranging mergers.

The commission, which advises the Economics Ministry in Bonn, renewed earlier recommendations that the country's banks be barred from holding stakes of more than 5 per cent in companies not directly involved in banking.

The Cartel Office approved Daimler's takeover of AEG in February, saying the two companies' activities did not overlap and the merger would not lead to a rise in their combined share of any market. The takeover created an industrial giant with annual sales of DM 65bn ($30bn).

Even if the merger brought some improved competition, the Cartel Office should still be allowed to block it if the improvements were not deemed big enough, the report said.

One member of the five-member commission dissented from the majority opinion, saying the proposed new rules stemmed only from the specific case of Daimler/AEG.

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OVERSEAS NEWS

Mine unrest spreads as Botha to meet Tutu

By Anthony Robinson in Johannesburg

STRIKES and go-slows continued to spread in the South African mining industry yesterday as moves were afoot to challenge the legality of the state of emergency in the courts and President P. W. Botha agreed to hold another meeting with Bishop Desmond Tutu on July 21.

Mr Botha last met Bishop Tutu, *the Anglican archbishop-elect of Cape Town,* on June 13, the day after declaring a state of emergency. The meeting, the first for over five years, left both sides far apart but appeared to give Bishop Tutu a sobering insight into the Afrikaner Government's determination to use the security forces to ensure change at the Government's own pace.

Since then, the Bishop has on several occasions renewed his pleas against violence from both sides.

At the recent conference of the South African Council of Churches (SACC) leading opponents of apartheid such as Dr Beyers Naude, while strongly criticising the Government, also called on the churches to recognise that the reforms made so far were not merely cosmetic but had required courage and had led to a split in Afrikanerdom.

Meanwhile, the trade union movement is stepping up its opposition to the state of emergency both by industrial action at selected mines—which has involved an estimated 16,000 mineworkers over the past week—and through a challenge in the courts by the Metal and Allied Workers Union (Mawu), an affiliate of the Cosatu trade union federation.

The National Union of Mineworkers (NUM) said that up to 1,200 black miners at the Finsch diamond mine near Kimberley stopped work yesterday while a De Beers spokesman said that roughly a third of the 1,950 workers who stopped work last week at four other De Beers diamond mines in the area went back to work yesterday.

The biggest work stoppage at present is at the Free State Geduld gold mine owned by Anglo - American Corporation where a go-slow on Sunday led first to closure of the number nine shaft on Sunday followed by closure of the number four shaft on Monday.

A spokesman for Gencor said that the situation returned to normal yesterday at its Grootvlei gold mine near Springs and Marievale gold mine near Nigel, both on the East Rand.

Details of the NUM's strategy designed to put pressure on employers to secure the release of union leaders detained under the state of emergency were worked out at a clandestine meeting of 90 NUM shop stewards last Tuesday.

Despite management concern at the clampdown on trade union leaders, the Government has further tightened restrictions this week by banning all internal meetings — including trade union meetings — in the Johannesburg and Roodepoort magisterial districts.

Apart from industrial action, Mawu yesterday brought an urgent application in the Durban Supreme Court against the President and the Government for an order declaring the state of emergency unlawful and seeking the release of all those detained under it. Lawyers for the union are arguing that the emergency regulations had been void from the outset under the terms of the 1953 Public Safety Act and also that the definition of "subversive *statement*" in the regulations was also void because of its vagueness.

Coup attempt demonstrates waning influence of ex-President Marcos

Manila's failed rebels face up to reality

BY SAMUEL SENOREN IN MANILA AND REGINALD DALE IN WASHINGTON

PRESIDENT Corazon Aquino of the Philippines allowed Mr Arturo Tolentino and senior military officers who backed his failed attempt to seize power, to walk free from the luxury Manila hotel early yesterday where they had set up a short-lived rebel government on Sunday.

No arrests were made and the three generals who helped in the plot were allowed to rejoin their units in a measured reaction to the challenge.

Mr Tolentino, who installed himself as Acting President, decided to abandon the hotel hours before the noon deadline given by Mrs Aquino after a series of negotiations with her representatives.

Hours before they decided to rejoin the Government, the military plotters were assured by Mr Juan Ponce Enrile, the Defence Minister, that they would not be arrested.

"This is a thing of the past," Mr Enrile had told a civic club late on Monday. "There will be no discrimination, no mistrust and no ill-will against these people simply because of what they did," he added.

Mrs Aquino received a message from Mr George Shultz, US Secretary of State, commending her for her "deft handling of a difficult situation."

He told her: "Once again, you have shown the world that a firm and considered approach to internal political disputes not only works, but also brings great credit to your Government and to the Filipino people."

The failed putsch demonstrated a reality which was sorely missed by the coup planners: deposed President Ferdinand Marcos no longer wields a significant influence on the 250,000-strong armed forces, although he still enjoys popular support.

Despite denials of any role in the rebellion, Mr Marcos, who now lives in exile in Honolulu, is widely seen as the band that manipulated events in Manila on Sunday.

Mr Tolentino, aged 75, staked his claim to the vice presidency on the contention that he and Mr Marcos were the duly proclaimed victors in the presidential elections last February.

As it is, what could have been a potentially damaging threat to Mrs Aquino's fragile Government failed miserably because it did not have the backing of the military, and the popular mood remains strongly pro-Aquino despite several highly controversial decisions taken by her Government during the four months it has been in power.

If there were to be another successful coup attempt it would have to be led by either Mr Enrile or Gen Fidel Ramos, the chief of the armed forces, whose popularity soared immensely after the February revolt.

Both are firmly committed to the Government under Mrs Aquino. Mrs Aquino has made sure Mr Enrile stays as Defence Minister even if left-leaning members of her Cabinet want him out of office.

Mr Tolentino had hoped to lure Mr Enrile away from Mrs Aquino by exploiting the rift between the military and civilian establishments over the handling of the Communist insurgency.

In the past month, scores of soldiers have been killed in Communist attacks which have increased while the Aquino Government was bending over backwards to negotiate a ceasefire with Communist leaders.

Critics of her Government have charged that Mrs Aquino has not been firm and decisive enough in dealing with a number of issues, including the opposition which seeks to destabilise her administration.

Reagan Administration officials say that they have no doubt that Mr Marcos was involved in Mr Tolentino's abortive attempt to seize power, although there is no concrete evidence – at least that they want to reveal.

Mr Marcos yesterday categorically denied in a TV interview that he had encouraged Mr Tolentino to revolt. He said he had been surprised by the sudden turn of events. Once he had learned of the rebellion, he had urged Mr Tolentino not to assert authority and told his backers to avoid violence and go home, he said.

It was widely noted in Washington, however, that Mr Tolentino appeared on US television at the weekend, from his short-lived headquarters at the Manila hotel, claiming that he had just received a telephone call from Mr Marcos congratulating him on his action.

US officials say they could not get much more irritated with Mr Marcos than they were already. Mr Marcos has continued to engage in political activities from his exile home in Hawaii, despite repeated requests by the Administration to desist. Washington is convinced that recent anti-government rallies in Manila have been financed by Mr Marcos and his supporters.

On Monday, the White House hinted vaguely that some kind of action might be taken to curb Mr Marcos's activities in future. But most officials believe that there is nothing than can, or even should, be done.

If there is a consensus in the Administration about Mr Marcos, says one official, it is that it is best to ignore him. Mr Marcos, the State Department says, "is part of the past of Philippine politics, and by now he should realise this."

It would be difficult, in any case, to clamp down much further on Mr Marcos, the Administration claims.

He is to be told once again that his participation in partisan political activities is "inconsistent with his status as a guest in the United States."

When he went to the US at the end of February, however, Mr Marcos was told by his old friend, President Ronald Reagan, that he was welcome to stay for as long as he liked. That pledge was repeated this week by Mr Larry Speakes, the *White House spokesman,* who added that no conditions had been attached to it.

While he is in the US, the Administration says, it is hard to stop him indulging in politics or speaking his mind, just like anyone else – "it's a free country."

During a visit to Manila two weeks ago, Mr Shultz said that he would prefer Mr Marcos to live in another country, a wish that has several times been expressed by Mr Marcos himself. But US officials say that this is really up to the Aquino Government, which has said that it would regard an agreement by another country to accept Mr Marcos as an unfriendly act.

Efforts to find another home for Mr Marcos are currently in abeyance. Although the Philippines Government has not yet finally made up its mind on the matter, President Aquino has said that for the time being he should stay in the US.

Lange under fire for deal to hand over jailed French agents

BY DAI HAYWARD IN WELLINGTON

OPPOSITION MPs yesterday berated the Lange Government for transferring the two jailed French agents to detention on a Pacific atoll, but the dairy export industry warmly welcomed the move.

Newspaper editorials were divided. The Auckland Herald *said it made a mockery of New Zealand justice and described the Prime Minister as "gutless."* The Wellington Evening Post equally strongly praised the move and congratulated the Government for achieving a satisfactory solution to French "bullying and threats."

Headlining its editorial "Good riddance to bad rubbish," the paper applauded the political courage and foresight of the Government in protecting New Zealand's vital dairy export trade which was under threat from the French.

First reaction of many of the public was resentment that New Zealand had obviously been forced by French pressure, trade bans and threats to let the agents out of a New Zealand jail.

The dairy board has applauded the move. It says the jailed agents had posed a serious problem to current negotiations.

The dairy industry earns 20 per cent of New Zealand's foreign exchange. Dairy farmers receive $2.25 a kilo for milk fat compared with $14 received by EEC dairy farmers.

Had French retaliation forced a cutback in the amount of butter going to the EEC this *would have further reduced the* incomes of New Zealand farmers. It would have been the final blow for many already facing bankruptcy and hung a political millstone around the neck of the Lange Government.

Mr Mike Moore, the Trade Minister, last night confirmed New Zealand had been facing a trade war and that the French threats were an important factor in the decision to accept arbitration in the dispute over the spies.

However, Sir Robert Muldoon, the former Prime Minister, says the decision showed a craven attitude and a readiness to buckle under crude blackmail. Mr Jim Bolger, the opposition leader who previously condemned the Prime Minister for allowing the dispute to reach a stage where New Zealand trade was involved, now criticises the transfer of the agents to what he describes as a comfortable palm-tree Pacific island holiday.

Iran claims westward advance

Iran claimed yesterday to have killed another 1,500 Iraqi troops as a division of Revolutionary Guards continued its westward push following last week's recapture of the border town of Mehran, Our Middle East Staff writes. Tehran Radio said its forces were within nine miles of the Iraqi town of Badrah, 95 miles south-east of Baghdad, and had surrounded an Iraqi battalion.

PLO offices blocked by Jordanian troops

Jordanian troops blocked entry to several Palestinian offices in Amman yesterday following the government's decision to reduce the presence in the country of al-Fatah, the largest guerrilla organisation, headed by Mr Yassir Arafat, our Middle East Staff reports. Some 25 Fatah offices have been ordered to close and Mr Khalil al-Wazir, a top military aide of Mr Arafat, said yesterday he had been told to leave.

Reuter adds: King Hussein of Jordan arrived in the Saudi Arabian summer resort of Taif yesterday for talks with King Fahd on his efforts to reconcile Syria and Iraq, officials said.

Egyptian strike ended

Egyptian military police moved in yesterday to break up a strike by Cairo railway workers demanding pay increases, Our Middle East Staff reports. Troops were also called in to man emergency bus services. Strikes are illegal in Egypt, but with the country suffering from a deepening economic recession, there has been a notable increase in labour unrest during the past few months.

Australian oil refineries and airlines hit by strikes

BY EMILIA TAGAZA IN CANBERRA

INDUSTRIAL unrest spread through Australia yesterday as thousands of storemen in the oil industry and domestic airline pilots decided to strike over superannuation claims. The strikes are a result of the National Wages Authority's ruling last month to grant only a minimum wage rise this year and to allow employers and trade unions to negotiate their own productivity-based superannuation agreement.

Widespread petrol rationing looms after storemen in refineries and oil terminals in the state of New South Wales, joined their colleagues in Victoria, who have been on strike since last week. The Service Station Association of New South Wales has appealed to the state energy authorities for immediate petrol rationing before panic buyers soak up remaining reserves, estimated to be sufficient for only seven days.

The Storemen and Packers Federation want superannuation payments equal to 3 per cent of their salaries as well as A$24 (£9.95) a week for making themselves constantly available for overtime.

In Melbourne, 75 per cent of stations are now without petrol and the Victorian State Government has imposed a A$5 limit on all petrol purchases. But despite the rationing Melbourne is expected to run out of petrol late this week

Meanwhile, about 1,700 pilots of the three domestic airlines — TAA, Ansett and East-West — have called a 24-hour strike starting midnight yesterday, but said they may extend the action. They were protesting the Federal Government's intervention in their negotiations with employers. The pilots want to have their allowances which are now taxable at 60 per cent to be paid directly to a superannuation fund which attracts a lower tax rate.

Mr Ralph Willis, the Minister for Industrial Relations and Employment, said the Government stopped the negotiations because the pilots were clearly trying to avoid tax.

Employers groups have said they accepted that negotiations on superannuation should take place but that did not mean agreeing to union demands. Mr Brian Noakes, the director general of the Confederation of Australian Industry, warned: "If industrial disputes continued Australia central wages fixing system will collapse and if necessary we will take steps to ensure that it is brought to an end."

Australian budget

The Australian Government's budget deficit in the 1985-86 fiscal year reached A$5.74bn (US$3.9bn), overshooting the target by A$825m. Because of an error in transmission, yesterday's Financial Times report inadvertently said the target had been exceeded by much more.

AMERICAN NEWS

Stewart Fleming discusses the implications of the ruling on the fiscal reform bill

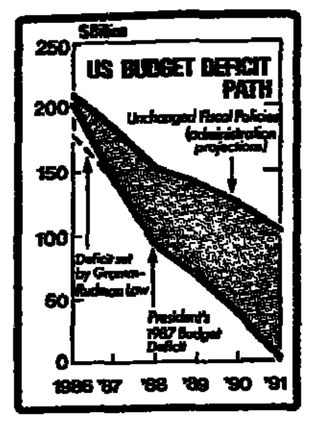
Justices throw budget ball back to Congress

BY STRIKING down as unconstitutional a key provision in the Gramm-Rudman-Hollings budget reform legislation, the Supreme Court has ensured that spending priorities will be high on the political agenda in the run-up to the mid-term elections in November. The provision was designed to force Congress and the Administration to eliminate the Federal budget deficit by 1991.

A key question, however, is whether, as political scientist Dr Norman Ornstein of the American Enterprise Institute suggests, pre-election pressures will force politicians to live up to the Gramm-Rudman promise and make the deficit cuts which they committed themselves to when they passed the law last December.

Many in Washington are taking a much less sanguine view of the willingness of the Administration and the Congress to face up to their fiscal responsibilities. They conclude that by removing the threat of draconian across-the-board budget cuts the Supreme Court has made it easier for Congress and the President to play for time once again.

"I fear they will fudge it some way or another," says Mr Gregory Ballantine, chief economist at the White House Office of Management and Budget in the first Reagan Administration and currently a principal in the Washington office of accounting firm Peat Marwick.



In political terms however it is just as important how the deficit reduction issue is fudged if that indeed is what happens. A heated pre-election budget debate will tend to take Mr Reagan's expected triumph on tax reform out of the headlines. It will also create opportunities for the Democrats to broaden their attack on the Reagan Administration and its Republican allies economic policies beyond trade policy, particularly if the economy continues to stagnate. Whether the Democrats can successfully exploit this opportunity is a moot point.

Precisely what happens next in the budget debate in the wake of the Supreme Court decision is far from clear.

For what the Supreme Court has not done is strike down the whole of the Gramm-Rudman budget reform law. Thus the targets for eliminating the deficit by 1991 remain in effect. So do the procedures under which the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) take a so-called "snapshot" of the economic and budget outlook in mid-August and calculate what they think the budget deficit will be in fiscal 1987 beginning this October if nothing more is done to reduce it.

One possibility is that Congress will turn to the so-called "fallback" mechanism. This was written into the law in anticipation of the Supreme Court decision that calling on the Comptroller General to implement budget cuts was unconstitutional, since it mixed the functions of an official responsible to the legislative branch (the comptroller) with the duties of the executive branch.

The fallback procedure calls for Congress itself to make any cuts needed to get to a $144bn deficit in fiscal 1987 by passing a joint resolution which the president would then sign. But many doubt whether in an election year Congress would want to take responsibility for any big spending cuts. Indeed the whole idea of the now unconstitutional automatic "sequestering" process was to allow politicians to avoid this unpleasant task.

Senator Phil Gramm, one of the bill's architects, has said he will introduce legislation to change the status of the Comptroller General so his role becomes constitutional and link it to the legislative loose cannon which ensured passage of the Gramm-Rudman law last December — namely the forthcoming bill to raise the Federal debt ceiling. Few believe the House of Representatives will agree to change the status of the Comptroller so he is no longer an official of the legislative branch of government however.

Past form suggests, as it has since early this year, that Washington will evade the bite in the budget law however. The President proposed in February a 1987 budget which claims to meet the Gramm-Rudman $144bn target. Congress has also passed a budget resolution which it says meets the target. Both have done so by ignoring economic realities such as lacklustre economic growth and slower than expected growth in tax revenues, by assuming spending cuts which have yet to be passed into law and by ignoring trends—such as the soaring cost of farm programmes—which are already eroding some of the savings for which they are taking credit.

Some of the cuts, particularly the anticipated second year of major defence savings, will indeed help to get the 1987 budget deficit down from the $215bn-$220bn Wall Street is expecting in the current fiscal year which ends in September. Lower interest rates will tend to also reduce the deficit.

By sticking to revised but still optimistic economic projections for 1987, and perhaps by using some of the extra tax revenues thrown up by the tax reform bill, congress (with Mr Reagan's connivance), seems most likely to declare a fiscal victory late in September by claiming it has indeed come close to achieving the $144bn target. Politicians can then leave Washington for the campaign trail and a year from now the deficit problem may look only a little less daunting. A weakening economy makes such a scenario all the more likely, since it will be argued that serious budget cutting will only make things worse.

One caveat needs to be added however. Congress has already surprised observers a number of times over the past year—the initial passage of Gramm-Rudman and the Lazarus-like revival of tax reform are two cases in point. With the political stakes so high and the balance of power so delicately poised more surprises cannot be ruled out.

US to review aid to Zimbabwe

By Reginald Dale, US Editor in Washington

THE US is to review its $20.5m (£13.4m) aid programme for Zimbabwe following a diplomatic tiff in which American diplomats walked out of a Harare reception celebrating the US July 4 independence day on Friday.

The walk-out, which was led by visiting former President Jimmy Carter, was joined by British, West German and Dutch diplomats. It came after a Zimbabwean cabinet minister delivered what Mr Carter described as "a 20-minute harangue against the US," particularly over Washington's policy towards South Africa.

Mr David Kariamazira, the Zimbabwean Minister of Youth, Sport and Culture, speaking on behalf of Mr Witness Mangwende, the Foreign Minister, accused the Reagan Administration of ignoring "terrorism" practised by South Africa while bombing Libya. "What we are hearing is nothing but platitudes and apologies for apartheid," he said.

In Washington, the State Department called the remarks "a breach of propriety" at the US-hosted event and noted that no apology had been received from the Zimbabwean Government. "Hostile diplomatic behaviour by Zimbabwean leaders has led to a further review of our aid efforts in that country," it said.

US officials said that the review stemmed from a series of "gratuitous" criticisms of US policy by Zimbabwe in recent months, culminating in Friday's incident. Similar tension between the two countries has erupted in the past following anti-US votes by Zimbabwe in the UN and other diplomatic clashes.

The US, the country's biggest aid donor, has given Zimbabwe a total of about $370m since its independence in 1980. Congressional budget constraints cut last year's $26m to a projected $20.5m for this year, of which $7m has so far been committed.

Mr Carter, on his return to the US, said that Mr Karjamzira's criticisms "weren't off the mark . . . much. It wasn't what he said. It was the way and the time that he said it," Mr Carter said.

Mexican opposition urges demonstrations over election fraud

BY DAVID GARDNER IN CHIHUAHUA

MEXICO'S right-wing opposition National Action Party (PAN) has capped two days of demonstrations in protest at the ballot rigging evident in last Sunday's state and municipal elections in Chihuahua. It will seek to have the results of the elections annulled.

As the state of its campaign, the PAN has called a demonstration for tomorrow in Chihuahua, the state capital, and another in Friday in Ciudad Juarez, on the border with Texas.

The state's two broad-based "clean vote" movements monitoring these elections for the first time on a large scale were due to start their protests yesterday afternoon, and have reiterated their threat to blockade Chihuahua's main roads and border with Texas.

Mr Francisco Barrio, PAN candidate for governor in Chihuahua and mayor of Juarez, was meeting with senior party officials yesterday. Prior to this he said: "We were fouled in the first round, but we are now ready for the second round, with different arms and tactics."

Asked whether he would be prepared to accept certain offices in exchange for recognition ofhis defeat, he said: "We don't do deals."

The ruling Institutional Revolutionary Party (PRI), meanwhile, which has governed Mexico for 57 years and never surrendered a state government, continued yesterday to claim a clean win of the governorship and every municipality, except one it thought might go to the left. Prior to these elections the PAN controlled the state's seven main towns and the independent left controlled one. Official results are not due until Sunday.

Mr Jose Medina, a spokesman for the Mexican presidency, said: "I do not know whether there was fraud or not. What I do know is that we worked hard to win for six months and we won; that is beyond doubt."

He attributed the systematic ballot box stuffing and exclusion of accredited PAN vote monitors from voting stations witnessed on Sunday to "spontaneous" sympathisers of the ruling party.

Mexican television and the main papers have reported that the PRI won a clear victory. Excelsior, the leading Mexico City daily, said in its eight column front page lead on Monday: "PRI: Total Triumph in Chihuahua. Maturity Imposed Calm."

Brazil industry grows 11.86%

BRAZIL YESTERDAY reported that industrial output grew by 11.86 per cent in the first five months of the year, compared with the corresponding period in 1985, writes Ivo Dawnay.

The trend maintains the same pace of growth shown in the final quarter of last year. Industry has picked up strongly after a brief fall in March following the announcement of the Cruzado plan, which froze prices and de-indexed the economy in an effort to hold back inflation, then running at an estimated annual rate of 500 per cent. The increase is partly distorted as a 15-day strike hit Sao Paulo industry for part of the period last year. However in many sectors business is working at full capacity.

Sarney seeks papal support against radicals

BY IVO DAWNAY IN RIO DE JANEIRO

MR JOSE SARNEY, President of Brazil, the world's most populist Catholic state, arrived in Rome yesterday with an appeal to the Pope for moral support in his struggle with his most formidable political opposition—the progressive church.

Although a visit had been agreed in principle as far back as September, events in Brazil's lawless backlands forced the President to request an audience sooner than had been expected. The Brazilian Government is seeking to contain the militancy of the country's 13,000 priests and 365 bishops many of whom have formed the moral and political backbone of an increasingly bloody rural campaign for land reform.

In recent months this had led to dozens of deaths as armed land owners have clashed with landless peasants occupying farms in efforts to force the Government to fulfil its electoral promises to re-settle thousands of families.

For the Vatican, Mr Sarney's mission raises once again the problems of hanging on to the leadership of an increasingly restive flock, while maintaining good relations with its secular masters. Theologically it resurrects the even more awkward ambivalence of the Vatican towards the role of priests who believe the Church's primary role is to "liberate" the poor.

Mr Sarney is seeking endorsement for his appeal for peace issued in the northern city of Imperatriz at the height of last month's violence. In addition the President may hope that his audience could persuade the Pope to issue guidelines to the clergy on the extent of their role in the political life of the nation. However here he may be less easy to accommodate.

The Brazilian Church has long been almost as independent of the control of Rome as it has been of Brasilia. Frozen out for years from the political process, it created in the 1950s the National Conference of Brazilian Bishops (CNBB), a lobbying body with no official status in canon law but which came to champion human rights during the 20-year military dictatorship.

Today, as chief proponent of the agrarian reform campaign, it is regarded by Brazil's conservative establishment, as a profoundly divisive element within the state.

Last March the Pope took the unprecedented step of calling 21 leading Brazilian bishops to Rome for talks. The following month he issued a letter which, while supporting their activities and the broad concept of liberation theology, was read by some church analysts as an attempt to cut the movement off from Marxism.

Such moves indicate that the church hierarchy is as confused as Government over how to deal with Brazil's rebellious priests. However, within the CNBB wide variations of political opinions exist.

Even if President Sarney was to receive the fullest backing for his gradualist and financially restricted land reform programme, there is little to suggest the more militant priesthood can be persuaded to rein-in aspirations of the peasantry or that the conservative politicians can control the excesses of the landlords.

Argentina extends deadline for oil exploration bids

BY TIM COONE IN BUENOS AIRES

THE deadline for the latest round of bidding for onshore and offshore oil exploration concessions in Argentina has been extended for three months.

The second bidding round under President Alfonsin's 15-month-old Houston Plan for energy was originally due to close on July 31, but Mr Jorge Lapena, Energy Minister, said on Monday that an extension was necessary because of the drop in the international oil price. Areas being offered in the second round would be redefined, he said.

The Houston Plan was revealed during President Alfonsin's visit to Texas in March last year, in which 165 areas of Argentina—150 onshore and 15 offshore — of high and medium risk would be placed on international offer for oil and gas exploration by the end of 1986.

However, the first licensing round held earlier this year and covering 32 areas had only a lukewarm reception from foreign companies. A "model contract" is still the subject of intense negotiation between the Government and one consortium of successful bidders which include Exxon and a local company, Capsa.

The contract is expected to be finalised within the next two weeks. The deadline extension will thereby enable other companies to study the conditions of the new contract and still have time to place bids for the second round. So far, only one response has been received in the second round.

WORLD TRADE NEWS

Ship owners urged to combat piracy

By Christopher Parkes

THE world shipping industry will suffer increasing losses of life, vessels and cargoes at the hands of terrorists and pirates unless it improves its defences on the dockside and at sea, according to the International Maritime Bureau.

Passenger ships in the Mediterranean and Atlantic are particularly vulnerable, it said in a report* published yesterday.

Ship owners should even consider issuing arms to crews or employing private security guards, and be prepared to arm vessels with heavier weapons should the threat escalate.

The "soft underbelly" of the maritime industry will be exposed as other potential targets on land and in the air take steps to protect themselves, Mr Eric Ellen, bureau director, said in London yesterday.

According to bureau estimates, the number of terrorist attacks around the world will double by the end of the decade.

Port security should be tightened to include passenger and baggage searches similar to those routinely carried out at airports, and ships' security officers have to be trained to cope with the new threat, Mr Ellen added.

"Trade will be hit unless we protect passengers and are seen to protect them," he said.

Spurred by last October's Palestinian attack on the Italian cruise liner, Achille Lauro, the bureau — an offshoot of the International Chamber of Commerce—has offered to act as an international clearing house for information, to help establish security standards and lobby for government action.

"Terrorists like drama and blood so passenger ships will be more at risk," said Brig. Brian Parritt, assistant director.

The report, Violence at Sea, is designed to support the bureau's call for action by industry and governments. Last month alone, it says, there were a dozen recorded attacks on commercial vessels. Although most involved vessels caught up in the fringes of the Gulf war—which has cost $600m in losses since it began—the tally also included several instances of sinkings and boardings off Africa, Sri Lanka and the Falklands.

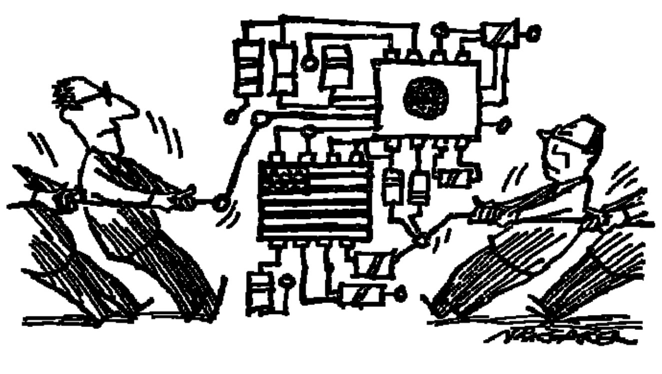
It did not include the uncounted losses of ships—and cargo piracy off West Africa, in the Caribbean and off the coast of Colombia, or the continuing attacks by Thai pirates on Vietnamese boat people.

Brig. Parritt, a former head of British army intelligence and editor of the report, said shipping had been "remarkably lucky" so far.

Violence at Sea, £16 inc UK postage, from ICC International Maritime Bureau, Maritime House, 1 Linton Road, Barking, Essex IG11 8HG.

Louise Kehoe and Carla Rapoport on key semiconductor talks between Japan and the US

Not long left to turn a chip truce into a treaty



LATE last May, Mr Clayton Yeutter, the US Trade Representative, and Mr Michio Watanabe, Director General of Japan's Ministry for International Trade and Industry (Miti) sat up until nearly 1 am one night in a Tokyo restaurant talking about the US-Japan semiconductor dispute. They finally emerged with arms around each others' shoulders to announce that a framework agreement had been reached in the long-running dispute.

Details of that agreement were never disclosed, but they must have been sketchy. Six weeks later, the US-Japan semiconductor row remains unsettled. Despite the wishes of the politicians, the US and Japanese negotiators have apparently reached an agreement on only part of the dispute and remain at loggerheads in a crucial area — global price monitoring.

The US argues it is essential for Japanese companies to report their chip pricing to Washington for all its export markets, not just the US itself. The Japanese say such a system flies in the face of international trade conventions. The US counters that such a system will prevent the Japanese from dumping in other countries, which they would if blocked from dumping in the US. The Japanese say their trade with other countries is strictly their own business—and for the US to interfere would be a violation of the General Agreement on Tariffs and Trade.

The next round of talks is due next week, with a new deadline, set by the US, of the end of this month. Whether the remaining issues can be settled by that time is unclear. One way or another, however, the talks are one of the most important concerns for the semiconductor makers and users worldwide.

According to US and Japanese officials, the two sides have reached agreement on market access.

US industry executives believe they will be promised about 20 per cent of the $9bn Japanese chip market, roughly doubling their market share. They have compromised on their original demands for a 30 per cent share and have also given significant ground by agreeing that increased Japanese purchases will be made chiefly through the 12 largest Japanese electronics companies, which account for about 50 per cent of all Japanese chip purchases. In addition the important Japanese automotive and industrial automation manufacturers will not be included.

From the Japanese perspective, the agreement amounts to something of an American climbdown. US industry executives have been pressing for an official market share target from Japan, but the Japanese government negotiators have agreed, apparently, simply to press industry to purchase more U.S. chips.

"We cannot agree on giving an exact figure," said a Japanese negotiator." The Japanese government will ask the Japanese industry to purchase more as long as the US Government encourages the US to enhance its marketing activities in Japan," he said.

The final agreement, it is believed, will include some face-saving language on market access, so both sides can present it as a victory. It remains unclear, however, whether a specific market share target will be stated or implicit in any agreement.

On the thornier issue of pricing, the two sides seem further apart. Although there is believed to be agreement on the outline of a plan to monitor the prices of certain types of Japanese chips when they are exported to the US, the US wants a much broader system for monitoring Japanese prices throughout the world.

The Japanese industry has all but accepted the chore of submitting regular reports on production costs and pricing of products it sells in large quantities in the US. This information will be given to the US Commerce Department by the Japanese Ministry of International Trade and Industry (Miti).

The Japanese industry's willingness to comply to this extent with US demands reflects the threat of stiff dumping duties on Japanese-made memory chips.

Two important dumping suits against Japanese chip makers are outstanding. Together they cover well over half of all Japanese chips sold in the US.

Last week the US Commerce Department tentatively suspended both dumping suits, in moves that extended the effective deadline for a trade agreement. But the Commerce Department warned that it could and would reinstate the dumping cases if a broad trade accord were not signed by the end of July.

If the dumping suits were reopened, there is little doubt that preliminary rulings against the Japanese would be ratified and that stiff dumping duties would be imposed on Japanese chip makers.

Significantly, the dumping duties are expected to affect not only current generation memory chips but also the one megabit and four megabit memory chips that the Japanese are developing.

None the less Japan still objects strongly to the US proposal for a global price and production cost monitoring system. Europeans have claimed that the system would be tantamount to a US-Japanese chips cartel, and the Japanese seem to agree.

In a statement following the recent round of talks, a senior Miti Minister emphasised: "I hope (these talks) will prove a further impetus to develop the semiconductor industry not only in the US and Japan but elsewhere, in a free and fair trade system."

In the US, however, the "global" nature of the price and cost monitoring system is considered critical. If Japanese chip makers' prices are not scrutinised in third countries, the US industry believes Europe and South Asia will become the "dumping grounds" for Japanese chips. "This would simply drive our US customers offshore to buy Japanese integrated circuits at below-cost prices," said one US industry leader.

Another objection raised by Japanese chip makers is the difficulty of collecting price and cost data from their international operations.

They also insist that Texas Instruments, the largest US chip maker, should be required to submit itself to the proposed monitoring system because it has production operations in Japan and, like Japanese makers, assembles chips in third countries.

US chip makers will not be totally satisfied unless they have an enforceable anti-dumping system and measurable progress in Japanese market access.

In Japan, the chip makers' goal is to avoid US protectionist legislation by reducing trade friction. The real question, however, is whether the goals of the chip makers coincide with those of politicians.

Rising yen hits Japan's machinery exports

By Carla Rapoport in Tokyo

EXPORT contracts for Japanese industrial machinery plummeted in May by 47.3 per cent compared with the same month of 1985.

The Japan Society of Industrial Machinery Manufacturers said the main reason for the drop was the complete lack of plant export contracts.

This, in turn, is a direct result of the yen's sharp appreciation against foreign currencies, particularly the US dollar.

Industrial machinery contracts were Y56.7bn ($356m) in May, 18.1 per cent down on April.

The last time Japanese exporters recorded no contracts in a month was April, 1979. Industry executives, however, point out that plant exporters are not marketing actively at present as they are waiting for the exchange rates to stabilise.

Excluding plant contracts, export contracts in May were 2.3 per cent lower than in April and 18.1 per cent down on the previous year. Exports of civil engineering and construction machinery, which account for about half of the total value of contracts in May, were down by 28 per cent over a year earlier.

Soviets look at deals with West

MOSCOW may soon allow western companies to set up joint ventures with Soviet companies, Reuter reports from Helsinki.

Mr A. N. Manzhulo, Deputy Foreign Trade Minister, was quoted in a Finnish newspaper interview yesterday, as saying: There may be a ruling quite soon on the establishment of a number of mixed companies of this kind . . . the prospect is a realistic one and the question is not one of the distant future."

Mr Manzhulo said the Soviet Union did not intend to find itself in the same situation as China with joint ventures. "There is now criticism that the Chinese will not allow those firms to operate freely," Manzhulo said.

"This may be taken to be various kinds of tactics to press the Chinese into further concessions. We do not wish to play tactical games of this kind.

"If we go into fixed co-operation with western companions, the co-operation must be equal and fair," he added.

Bonn seeks big US steel export quota

BY PAUL CHEESERIGHT IN BRUSSELS

THE West German Government will today make a determined bid to win for its steelmakers more than half of a European Community quota to sell semi-finished products in the US.

Community industry ministers will be discussing the terms of an agreement negotiated with the Reagan Administration by the European Commission to settle a year's squabbling over the pace of Community semi-finished steel sales on the US market.

But acceptance of the agreement depends on the Twelve agreeing among themselves on how to split up the quota. Although the Commission has proposed a half share of the total quota for Germany, this is not seen as enough by Bonn, at whose insistence today's special ministerial meeting was called.

Final agreement between the US and the Community on semi-finished steel would mark a further step in the process of calming transatlantic commercial relations. It would follow on the heels of a truce in the dispute over the farm trade effects of the enlargement of the Community.

Hitherto, semi-finished steel products have been excluded from steel sales limitation arrangements negotiated by the two sides last year. But last January, the Reagan Administration unilaterally put a limit of 400,000 short tons on Community sales for 1986. The Community retaliated by putting quotas on US shipments of fertiliser, beef tallow and art paper.

It is now proposed that semi-finished steel should become part of the wider steel arrangement with a quota for this year raised to 600,000 tons, climbing gradually to 670,000 tons in 1989. In return, the Community would drop the quotas it imposed on the US products.

So far this year, the Community has shipped to the US about 300,000 tons of semi-finished steel. So the argument about how to split up the quota internally concerns about 250,000 tons on the assumption that 50,000 tons is held in reserve.

The Commission proposes that Germany takes 50 per cent of that, or around 125,000 tons, while the Netherlands would have 15, France 14.5, Belgium-Luxembourg 13, the UK 4.5 and Italy 3 per cent.

Mr Peter Morrison, British Industry Minister who will preside over today's discussions will be anxious to try and reconcile the Germans to that half share, because any extra quota it obtains will have to come from another country.

The UK itself will be largely a bystander at the discussions. Its main concern is a 200,000 tons a year contract for the provision of British Steel products to Tuscaloosa Steel, but this is outside the main lines of the agreements and subject rather to US undertakings that it may grant additional tonnage above the 600,000 tons.

UK's Spanish sales drive

BY ANTHONY MORETON

THE BRITISH clothing industry is to launch a drive to increase sales in the Spanish market later this year.

Kurt Salmon Associates, management consultants, have been commissioned by the industry's economic development committee to identify channels of retail distribution in Spain and evaluate key distributors.

Mr John Gratwick, chairman of Empire Stores (Bradford), a leading mail-order concern and chairman of the development committee, said: "Spain has always been a difficult market. Now that it is in the EEC and barriers to imports are being removed we believe there is scope to boost sales in an increasingly affluent country." The Kurt Salmon report will provide the basis for a market strategy.

The UK accounts for little more than 5 per cent of Spanish clothing and textile imports, most of which come from France.

FT COMMERCIAL LAW REPORTS

Guarantee equivalent to letter of credit

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO v PAPANICOLAOU
Court of Appeal (Lord Justice Parker, Lord Justice Nourse and Sir Roger Ormrod): July 1 1986

WHERE SUMMARY judgment is properly given in a claim for money due under a guarantee the court will not grant a stay of execution pending the bringing of a counterclaim if the terms of the guarantee *indicate that* payment is to be immediate.

The Court of Appeal so held when allowing an appeal by the plaintiffs, Continental Illinois National Bank and Trust Company, from a decision of Mr Justice Anthony Evans ordering a stay of execution of summary judgment given in their favour against the defendants, Mr John Paul Papanicolaou and his brother, Mr Nicholas Frederick Papanicolaou. An appeal by the brothers seeking unconditional leave to defend the action was dismissed.

LORD JUSTICE PARKER, giving the judgement of the court, said that Mr Justice Anthony Evans gave summary judgment in favour of the bank in three actions against the brothers as personal guarantors under three loan agreements.

The bank held not only the guarantees as security for the loans, but also held mortgages of vessels owned by the borrowers.

It was not disputed that the amounts for which the judge gave summary judgment were due from the brothers under their guarantees, but they contended they had valid cross-claims on the ground *inter alia* that the bank had negligently failed to carry out its duties as mortgagee and failed to realise a proper value from *the vessels on sale*.

The judge held that the cross-claims were arguable and that the brothers could therefore proceed with them by way of counterclaim. He further held that because of the provisions of the loan agreements and the guarantees the claims were not available by way of set-off nor as a ground for giving unconditional leave to defend.

Notwithstanding that he held the cross-claims were no answer to the application for summary judgment, the judge held that the brothers were entitled to stays of execution in respect of the whole or part of the judgments given.

The brothers appealed, seeking orders that in all three actions they should be given *unconditional leave to defend*. The bank appealed against the stays of execution.

Each agreement provided that "all payments by the borrower . . . shall be made without set-off or counterclaim . . ." and each guarantee provided that "all payments by the guarantor . . . shall be made without set-off or counterclaim . . ."

It was submitted that those clauses did not exclude a set-off or counterclaim based on negligence. It was argued that they should be treated in the same way as exclusion clauses and therefore did not apply to claims by way of set-off or counterclaim based on negligence since (a) such claims were not specifically excluded; (b) in the absence of "whatsoever" the general words were insufficient to include claims of negligence; and (c) to exclude from their *operation claims based on* negligence would not rob the clauses of all effect.

There was no good reason for treating the clauses in the same way as exclusion clauses. The latter purported to exclude liability altogether. The present clauses did not touch liability. The guarantors could still prosecute their claims to judgment. They were merely prevented from holding up payments due under the guarantees while disputed cross claims were litigated.

The principle behind the narrow construction given to exclusion clauses, that specific words or the use of all-embracing words such as "whatsoever" were necessary to enable a party to exclude liability for his own negligence, had no application.

The commercial purpose of the transactions was that on default by the borrower the bank should be paid quickly; and that the natural meaning of the words was that all set-offs and counterclaims were excluded. The natural meaning was not that all set-offs and counterclaims "other than for negligence or breach of the bank's duties as mortgagee" were excluded.

The judge was right to conclude that the bank was entitled to summary judgment. The brothers' appeal failed.

With regard to stay of execution, in *Nova (Jersey) Knit [1977] 1 WLR 713, 722*, where plaintiffs sued on dishonoured bills of exchange, Lord Dilhorne said that "seldom, if ever, can it be right while denying the right to bring a cross-claim, to allow a cross-claim to operate as a bar to execution."

The same approach was adopted by the Court of Appeal in relation to claims under a letter of credit in *Power Curber International [1981] 1 WLR 123*, and had long applied to claims for ocean freight — see *Aries Tanker Corporation [1977] 1 WLR 185*.

In *Aries Tanker* the House of Lords was invited to alter a long-established rule. Lord Wilberforce said: "It would be undesirable . . . for the courts to declare that a rule . . . shown to be the basis of the contract . . . ought to be replaced by a different rule which would have to operate on the contract."

If parties contracted on the basis of the existence of a rule, it was the same as if they impliedly incorporated the rule in the contract. If that were so, it must at least *prima facie* follow in cases where no established rule existed but they expressly provided by contract for a result, that the contract would produce the same result.

In *Intraco [1981] 2 Lloyd's Rep 256* the purchase price of a vessel was the subject of a bank guarantee. Lord Justice Donaldson *said that* "bank guarantees given in circumstances such that they are the equivalent of an irrevocable letter of credit have been said to be the life blood of commerce. Thrombosis will occur if, unless fraud is involved, the courts intervene and thereby disturb the mercantile practice of treating rights thereunder as being the equivalent of cash in hand."

There was no relevant distinction between the guarantee in that case and the guarantees in the present case. The purpose of both was to ensure immediate payment if the principal debtor did not pay.

The present cases made it the more necessary that the court should not interfere, for here the parties had specifically provided both in the loan agreement and the guarantee that *payment should be made free* of any set-off or counterclaim. It would defeat the whole commercial purpose of the transaction, would be out of touch *with business realities*, and would keep the bank waiting for a payment which borrowers and guarantors intended it should have, while protracted proceedings on the alleged counterclaims were litigated.

The court had a discretion to grant a stay but it should be rarely, if ever, exercised. Guarantees such as these were the equivalent of letters of credit and only in exceptional circumstances should the court exercise its power to stay execution.

For the bank: Nicholas Phillips, QC, and Bernard Eder (Watson Farley & Williams).

For the brothers: David Hunt (Dibb Lupton & Co.).

By Rachel Davies
Barrister

UK NEWS

Railway union votes 2–1 against action on workshop closures

BY PHILIP BASSETT, LABOUR EDITOR

BRITISH Rail yesterday welcomed the 2–1 ballot result yesterday against industrial action by members of the National Union of Railwaymen in railway workshops over BR plans to cut almost 6,000 jobs.

The result of the vote is the second time that the NUR leadership has sought to take action, and been rebuffed by its membership. Ministers will seize on the NUR's latest rejection of action as further evidence of the value and impact of the pre-strike balloting requirements in the Government's 1984 Trade Union Act.

Trade union left-wingers are likely to claim that the NUR result again shows the problems for unions of balloting, and will argue against its statutory retention under a future Labour government, even though Mr Neil Kinnock, Labour leader, is determined to include union balloting in his general election manifesto.

Full results of the NUR voting in a secret workplace ballot were: 11,775 against taking any industrial action, including strikes (66.4 per cent of those voting), and 5,956 (33.6 per cent) in favour. Turnout was 76 per cent.

Although NUR leaders had been expecting the strike call to be rejected, the size of the majority was a surprise. It may be followed by votes due to be announced later this week by workshop staff who are members of unions in the Confederation of Shipbuilding and Engineering Unions, which organises about 18,000 of the current workshop staff of 41,000, with the remainder in the NUR.

Private NUR estimates suggest that in workshop depots specifically threatened with closure, voting went in favour of action. Union leaders believe that at least one CSEU union may vote in favour, though it is unlikely that action over the issue by only one union would either be effective or would indeed be mounted.

British Rail welcomed the "common sense displayed by NUR members in Brel (British Rail Engineering) and the maintenance depots in voting against industrial action." It hoped that the CSEU ballot would show a similar result.

The NUR vote, especially if mirrored by similar decisions by the engineering unions, will allow BR to proceed with job cuts of 5,900 over three years, mainly affecting depots at Glasgow, Doncaster and Wolverton, in addition to the reductions of 1,750 jobs previously announced.

Burroughs in sales link with Plessey

By Alan Cane

BURROUGHS, the US-based computer manufacturer, has forged a close link with Plessey, the UK telecommunications company, with the aim of securing a significant part of the UK market in advanced office automation systems.

The US company, which recently acquired its fellow mainframe manufacturer Sperry in an agreed merger, has been establishing a series of co-operative marketing agreements in Europe. These agreements are designed to allow the two partners to work together to win and complete sales deals.

Burroughs says it is negotiating with 15 separate potential partners and has already signed up TEC, a retail systems supplier and BEC, a manufacturing software house, in addition to Plessey.

The agreement signed this week between Burroughs and Plessey follows an earlier contract whereby Burroughs took over support and servicing arrangements for Plessey workstation sites while Plessey added Burroughs' workstations to its product range.

The new agreement aims to link Burroughs' expertise in mainframe computing and Plessey's skills in telecommunications

BL chairman quells 'hatchet man' fears

Kenneth Gooding reports on the changes being made by the new head of the state-owned vehicles group – which tomorrow will itself be renamed Rover Group

FEARS within BL that Mr Graham Day, the new chairman and chief executive, is a hatchet man sent by Mrs Margaret Thatcher, the Prime Minister, to chop the state-owned vehicles group down to size are fading fast.

Since the arrival of Mr Day – Mrs Thatcher's personal choice – at the beginning of May, BL has lost its non-executive chairman (by retirement) and two of only three executive directors (by resignation). But the senior management shake-up so far has been modest compared with the purges which followed Sir Michael Edwardes' arrival in November 1976.

Mr Day's appointment certainly signalled the Government's discontent with BL's lack of progress towards profitability, particularly within the cars division.

When Mr Day's new job was announced, the Government assumed it would be able to sell the Land Rover-Leyland commercial vehicle operations to General Motors of the US.

It was almost a foregone conclusion that BL's two other executive directors, Mr Ray Horrocks and Mr David Andrews, would leave shortly after Mr Day's arrival. Their jobs – as chief executives of the cars division and the commercial vehicle division respectively – effectively were taken over by Mr Day in his role as BL's chief executive.

Mr Andrews, who upset the rest of the BL board by attempting to lead a management buy-out of the Land Rover company at a time when the rest of the directors would have prefered to sell Land Rover and Leyland Trucks together to GM, quickly followed former non-executive chairman Sir Austin Bide out of BL.

Mr Day attempted to persuade Mr Horrocks to stay in a changed management role but Mr Horrocks decided to resign instead.

Mr Day is not giving much away about how he will replace the executive directors. All will be revealed "in the fullness of time," he says.

He points out that BL will shortly have only three main operating companies – Austin Rover, the volume car business; Leyland Trucks; and the Land Rover company, which also produces the Range Rover and Sherpa vans.

This is because Leyland Bus is to go to a new owner before long and a majority stake in Unipart, the car spare parts company, is to be sold to a group of financial institutions.

Each of the remaining operating companies will be in the charge of experienced managers. Mr Les Wharton has been managing director of Leyland Trucks since 1984, Mr Tony Gilroy has held the same position at Land Rover for four years and the formidable Mr Harold Musgrove has been chief executive of Austin Rover since 1979.

Paying tribute to Mr Musgrove's ability to fight his own battles, Mr Day says: "I would not call Harold Musgrove, even on the worst day he ever had, a pussy cat."

Rumour has it that Mr Day has set his headhunters to seek more management talent. But, so far, he has brought in only two executives from his previous group, British Shipbuilders.

Mr Peter Thompson, a former civil servant, joined at the same time as Mr Day as BL's group director, policy and government relations. Last week Mr John Pullen arrived to be director of public affairs, having performed a similar role for British Shipbuilders for some years.

Mr Day has already announced he is seeking new non-executive blood to provide "added dimensions and experience," in the BL boardroom.

BL's latest non-executive director, Mr Brian Pomeroy, a partner in accountants Touche Ross and an expert in corporate structure and organisation, joined last November. He is playing a key role in the "operations audit" ordered by Mr Day along with Prof Kumar Battacharyya, head of Warwick University's Manufacturing Systems Engineering.

The audit will provide Mr Day during the next few weeks with up-to-date information on all the BL companies so that he can draw up a new corporate plan.

In the meantime, Mr Day believes it is nonsense to run BL from Uxbridge in North London where the headquarters was moved to two years ago.

So he will move with a small group of key executives to offices near Victoria in central London. The rest of the corporate staff will remain in lower-cost Uxbridge.

During the debate about the name-change at the annual meeting on Monday, one shareholder suggested "BL was a ridiculous name in the first place." Mr Day replied: "I say amen to that."

From tomorrow, BL, formerly British Leyland, formerly British Leyland Motor Corporation, will become the Rover Group.

Diesel generating set exports reach £113m

BY NICK GARNETT

UK PRODUCERS of diesel-powered generating sets reinforced their position last year as the world's biggest exporters.

The 40 companies manufacturing the sets in the UK exported £113.5m of equipment lifting their share of exports from the industrialised nations from 24 per cent to 27 per cent.

Exports from the industrialised countries fell 16 per cent last year but exports from Britain declined at half that rate.

Generating sets are low technology products, made up of an engine, alternator and control panel. Used as standard electricity generating equipment or as back-up equipment for use when main electricity supplies fail, units capable of generating less than 5 kW of electricity are usually powered by petrol engines.

Above 5 kW and especially above 10 kW, the engines are normally diesels. The association represents only companies using diesel-powered generating equipment.

Britain has been the leading exporter of the sets for three years

UK Corrugated

In the Financial Times of July 7 we reported that UK Corrugated, the packaging company, was a joint venture between Jefferson Smurfit, of Ireland, Macmillan Bloedel of Canada and Assi of Sweden. Assi is not connected in any way with UK Corrugated; the third partner is Svenska Cellulosa Aktiebolaget SCA. We apologise for the error.

UK NEWS

Union executive bars leader from taking up office

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE NATIONAL executive committee of the Civil and Public Services Association (CPSA) yesterday barred from office Mr John Macreadie, the supporter of the far-left Militant Tendency who was last week elected the union's general secretary.

The right-led executive voted 19 to seven to prevent Mr Macreadie taking up the post until complaints about the conduct of the election have been investigated by the Electoral Reform Society. This investigation is likely to take three or four months.

Mr Macreadie, who was due to become general secretary of the 146,000-strong union – the biggest in the Civil Service – next Monday, said last night he still fully intended to do so. He would be taking legal advice on any action necessary to assist him.

The CPSA executive's decision leaves the union in the effective charge of Mr John Ellis, deputy general secretary and runner-up to Mr Macreadie in last week's poll. This caused fresh controversy yesterday.

Mr Alistair Graham, the present general secretary who leaves the union on Friday to become director of the Industrial Society, proposed unsuccessfully at the executive meeting that a caretaker general secretary should be appointed.

To the evident fury of leading right-wingers present, Mr Graham said at a press conference later: "I think there is a danger it will be seen by the public that the deputy general secretary is *de facto* acting general secretary, and, as he is a defeated candidate, that is likely to be seen as unfair."

Between 35 and 40 written complaints about the conduct of the election are said to have been received from the union's 802 branches in the week since declaration of the victories of Mr Macreadie and of Mrs Chris Kirk, who is due to become the union's treasurer next January.

Report on local government shelved

By Peter Riddell

THE RECENT Widdicombe Report on the conduct of local government, published three weeks ago, will be shelved by the Government until after the general election.

Mr Nicholas Ridley, the new Environment Secretary, has decided that the proposals in the 314 page report aimed at preventing partisan political abuse by councillors raise major issues which will have to be carefully considered and are too wide-ranging for legislation before the next election.

Consequently the consultative period will be very long. Mr Ridley has said the subject should be looked at comprehensively and it would be wrong for ministers to pick out particular sections which appeal to them, as was previously being considered by environment ministers.

The report, from an inquiry chaired by Mr David Widdicombe QC, proposes statutory backing for a fair party balance on council committees, strengthening the role of a chief executives, raising of council discretionary spending limits and a ban on senior local authority employees from being eligible to be councillors on other councils.

Instead of tighter controls over councils, Mr Ridley favours increasing local accountability through the reform of the rating system, as set out in the consultative Green Paper earlier this year.

Mr Ridley will, however, bring forward a local government Bill in the next parliamentary session which will include:

- Powers to require local authorities to test the water on the contracting-out of council manual services such as catering and refuse collection by seeking competitive tenders and seeing whether current in-house arrangements are commercially justified.
- The outlawing of discrimination by local authorities against contractors on political grounds.
- The banning of material in local authority advertisements which could reasonalby be regarded as likely to affect public support for a political party.
- A major overhaul of the system of capital controls by Whitehall over local authorities may be included after discussion with the Treasury.

Big building society merger abandoned

BY NICK BUNKER

ANOTHER big building society merger fell apart yesterday when the Yorkshire Building Society said it was abandoning a proposed marriage with its near neighbour, the Bradford and Bingley.

The union would have created the UK's seventh largest society, with assets of £6bn. Its collapse, announced by the Yorkshire's board of directors after 90 minutes of discussion yesterday afternoon, means that three large mergers within the industry have broken down during the past 18 months.

Last November, the Nationwide and Woolwich Equitable building societies stopped their planned merger after 12 months of talks, and in March, 1985, the Leeds Permanent and Leeds Holbeck also decided not to join forces.

The Bradford and Bingley and the Yorkshire, based five miles apart in the Bradford area, first disclosed their merger intentions on April 25. Members were due to vote on the proposals in late October.

Both parties had argued that greater size, and savings from economies of scale, would enable the new body – to be called the Yorkshire – to compete more effectively next year, when societies will be allowed by law to diversify into new financial services.

The Yorkshire, the smaller society with about 1,000 staff and assets of nearly £2bn, said the reason for abandoning the merger was that the difficulties in integrating staff and systems were "too great compared to possible long-term benefits."

Hopes for revised US air pact

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE UK is hoping that a last-minute revision of the agreement with the US on air traffic over the North Atlantic can be reached at a meeting in Washington from July 21, just before the pact expires.

The agreement, known as Annex Two of the UK-US Bermuda Two air agreement, sets out the rules for controlling capacity (the number of seats) that the airlines of the two countries can provide across the North Atlantic.

The Bermuda Two agreement itself, which covers many much wider air transport issues, is not up for renegotiation, despite some US reservations about its effectiveness.

But Annex Two is due to expire on July 31. If no agreement on its extension or revision is reached, the airlines of each country will be free to put on what number of seats they choose.

Under normal conditions, this would benefit the US airlines more than the British, because of the former's greater strength and numbers and their bigger home market.

Earlier this year, before this summer's serious downturn in North Atlantic traffic, the US negotiators were not in favour of any revision or extension of Annex Two, preferring to see it lapse, because it was against the basic US concept of airline deregulation.

Subsequently, in the light of the traffic slump of recent weeks, they have modified their stand. Both the UK and the US airlines are suffering from this traffic decline, stemming from the weaker dollar and US fears of terrorism in Europe, and no-one is in the mood for a "capacity war," with large number of seats being introduced that are likely to remain unsold.

What the UK is anxious to avoid is a situation in which the Annex Two pact lapses, which automatically would allow the US airlines to put on many more seats at some time in the future.

British Council 'needs more funding'

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

SIR JOHN BURGH, the director general of the British Council, yesterday issued a new warning that Britain attached too little importance to projecting its cultural image overseas and that the council faced a further erosion of its work at home and abroad because of inadequate funding.

Presenting the organisation's annual report, Sir John also critised the Government for not helping the British Council to meet its soaring security costs since the assassination of two of its staff in Athens in 1984.

The director general stressed, as he has on previous occassions, that France and West Germany were spending three times as much on similar activities to those of the British Council. He also called for a national policy on overseas students *to revive Britain's falling* share of the world market, now 5.6 per cent compared with 10.8 per cent in 1978–79.

Sir John nevertheless emphasised that the past year had been a successful one for the council. Its earnings had risen by almost 50 per cent in real terms in seven years and would reach nearly £50m in 1986–87. Over the past 10 years, 110 education contracts in 33 countries had produced net earnings of £44m.

In 1985–86, the council had signed 10 contracts worth £6.3m in China, Egypt, Indonesia, Sudan, Turkey and North Yemen.

The number of overseas students in Britain had risen slightly for the first time in six years after a decline of nearly 40 per cent since full-cost fees were introduced in 1979–80.

The 1984–85 figures showed a small overall increase in overseas students of 0.9 per cent over the previous year, from 55,608 to 56,121. But this compared with 91,000 overseas students in Britain in 1978–79.

In 1984–85, more than 13 per cent of overseas students came from the poorest countries in the world. The Commonwealth's share dropped by 2 per cent, which meant that there were 38 per cent fewer Commonwealth students in Britain than in the peak years 1978–79.

At the same time, the richer nations were increasing their share of students in Britain, with the EEC countries' share up by 14 per cent since 1983 and 13 per cent more students from North America since 1982.

Nick Garnett examines the progress made by BSC – and the problems it still faces

British Steel wins fight back to profit

THE BRITISH Steel Corporation (BSC) has come a long way since the dark days six years ago when it made a loss of £1bn in the wake of a national strike and the Organisation of Economic Co-operation and Development was writing it off as almost beyond salvation.

Last year's bottom line profit of £38m was the first for 10 years. It followed a net loss the previous year of £383m (of which £180m was due to the miners' strike) and came *at the end of a seven-year period* in which the Government had pumped £7bn into state-owned BSC.

Yet if there was one message yesterday from Mr Bob Scholey, the corporation's gruff chairman, it was that in a hostile world still labouring with 30 per cent steel overcapacity and a Europe full of uncertainties about its steel industry, no one can sleep easily at night.

The market-place is still littered with potential pitfalls. The EEC's crisis support measures are being lifted with nothing yet in their place. BSC, which is now standing on its own with no more government subsidy, has its share of headaches and some of the corporation's improved performance resulted from currency changes and lower oil prices.

At least, on the face of it, the corporation can sleep more easily than some. It is producing around 13m to 14m tonnes of liquid steel a year, which it has on average produced for the past six years. But over that *time its workforce has been drasti*cally cut from 166,000 to 54,000. It was more than 220,000 in 1974.

A considerable proportion of that job-shedding results from privatising chunks of the empire. Last year, for example, 6,000 people were taken off its books with the formation, in association with GKN, of United Engineering Steels.

Nevertheless productivity as measured by manhours per tonne has improved from 16 in 1977 to 6.3 last year, close to some of the best in Europe, though well behind Japan.

A good deal of this is due to the corporation's big reinvestment programme. Last year alone a £171m hot strip mill at Port Talbot, Wales, was completed as well as a continuous caster at Clydesdale, Scotland and a hotdip galvanising line at Shotton, north-east England.

The corporation says that its increasing use of performance-related payments – while still maintain*ing central wage negotiations with* its unions – is having a strong impact on productivity. Steelworkers are averaging about £200 in weekly pay.

Over the past six years wholly owned assets totalling £592m at book value have been divested and £80m worth of property sold. Almost all the corporation's activities now relate to primary steelmaking, and its strip business and its section and plates business are becoming increasingly discreet operations. That is good for trading, says BSC. It also makes privatisation much easier.

To put all this in perspective, at least four other big European steel producers are now making profits, some much healthier than those of BSC.

Thyssen's steel division increased its net profits last year from £27m to £113m. Another privately-owned West German producer, Hoesch raised its profits fourfold to £115m and is paying a dividend for the *first time in 10 years. Hoogovens*, the Dutch steelmaker, increased its net profits by a third to £67m and Arbed of Luxembourg also came into profits.

Thyssen, which has its activities much more geographically concentrated than BSC, is a more efficient producer than the corporation, making bigger profits, paying its workers much greater wages and giving them seven weeks' holiday a year.

It must be said, though, that profit making is not the norm in Europe's still struggling steel sector and French and Italian producers are still rolling up big losses.

Finsider, the Italian state steelmaker, reduced its losses last year but they were still £411m. The two French state-owned steel groups, Sacilor and Usinor, together lost £390m, a third of that due to exceptional restructuring that the French have been trying to avoid for as long as possible.

Mr Scholey makes it abundantly clear that BSC must make greater profits. It needs to spend £175m to £200m a year revamping and replacing equipment to maintain its present competitiveness. It intends replacing the existing outleted sinter plant at Scunthorpe in Lincolnshire, for example. The corporation's next milestone, therefore, is to get to a £200m a year profit level before charges.

The corporation is handicapped, though, by being such a small exporter to the rest of Western Europe.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

BOB HORTON, British Petroleum's (BP) latest export to the U.S., hates being called "Horton the Hatchetman," a nickname he has inherited during a long career as BP's number one troubleshooter. But it is a label which has stuck.

"It is very unfair. It is just that I have been given a number of difficult jobs to do. I do not like cutting off heads and closing things down, but unfortunately survival is important," says the 46-year-old Horton whose success in reorganising, first, the BP tanker shipping fleet, and then BP Chemicals, made him the natural candidate for sorting out BP's biggest current problem—its majority owned US subsidiary, The Standard Oil Company.

BP is facing the same problem that many overseas companies operating in the US have confronted at one time or another. It has operated its US affiliate at arm's length for several years but has become nervous about the ability of the local management team to protect and nurture the group's prize asset, particularly at a time when the price of its main product has never looked more uncertain.

Its interest in Standard Oil dates back to the late 1960s when it stumbled upon one of the biggest oil fields in the world, under Prudhoe Bay on Alaska's north slope, some 250 miles north of the Arctic Circle. BP needed a US outlet for its new-found oil bonanza and Standard Oil, once the main pillar of the legendary John D. Rockefeller's oil empire, looked the ideal partner.

It had sizeable refining and marketing operations and very little domestic production. At first all went well. The Alaskan crude began to gush in 1978 and by 1981 Standard Oil was one of the biggest and most profitable oil companies in the US earning close to $2bn a year.

However, over the last couple of years the American jewel in the BP crown has begun to lose its sparkle. Standard Oil has proved remarkably unsuccessful at reinvesting profitably the huge cash flow from its Alaskan windfall. Attempts to diversify out of the oil business have flopped, and Standard has written off close to $4bn over the last five years in a near fruitless campaign to replace its oil and gas reserves.

BP's growing concern about the long term development of its prize asset came to a head on February 27 1986, when BP took the very un-British step of sacking Alton Whitehouse, Standard's 58-year-old chief executive, and John Miller, the 48-year-old president and chief operating officer.

All that Sir Peter Walters, BP's chairman, would say at the time was that it "was an appropriate time to strengthen Standard Oil's management to cope with the difficult environment ahead." Beyond that, BP is saying little, but it is clear that BP's top management team had lost confidence in Standard Oil's management and its ability to adapte successfully to the new era of depressed oil prices.

Standard Oil

BP grasps its US nettle

William Hall explains how the UK oil giant is tackling its subsidiary's problems

FEW PEOPLE doubt the scale of the task facing Bob Horton in revitalising the 116-year-old Standard Oil. His job is made the more difficult since his performance will inevitably be measured against that of Shell Oil, the Royal Dutch/Shell Group's highly successful US subsidiary.

The Houston-based Shell Oil is nearly 50 per cent bigger than Standard in terms of revenues ($20.5bn) and assets ($26.5bn). It produces less oil, but its downstream refining and marketing operations are considerably larger. It is also a much bigger natural gas producer and has a much larger and more successful chemicals operation. However, Shell only employs 35,000 staff, some 7,000 less than Standard.

In five out of the last seven years Shell has met its target of replacing its oil and gas production with new reserves, profitably. Last year, for example, Shell replaced 218 per cent of its domestic oil production while Standard only replaced 3 per cent, according to Petroleum Analysis, a New York newsletter.

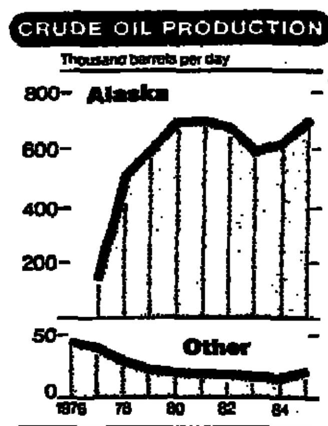
In 1978, when BP took majority control, Standard had oil reserves of 4.3bn barrels. Today, its oil reserves are down to 0.6bn barrels and falling. Over the same period, Shell has increased its oil reserves from 1.8bn barrels to 2.6bn.

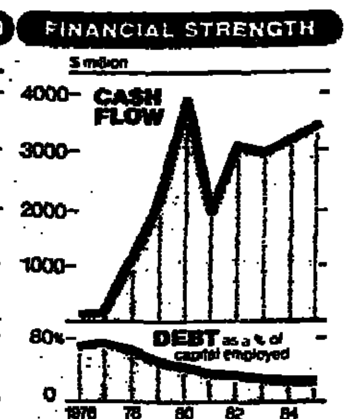
Shell is one of only three US oil majors to increase its earnings in the last five years. It has largely shunned overseas adventures and emphasised its domestic crude oil and natural gas activities, modernised its refining and marketing operations and cut costs significantly in its large chemicals business.

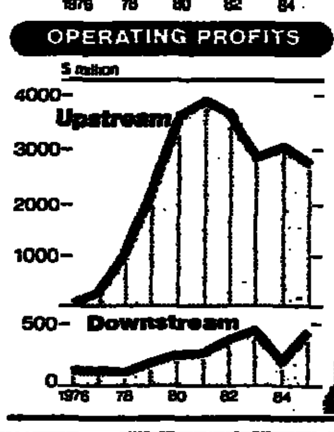
Its operational cash flow has nearly quadrupled over the last 12 years, enabling it to maintain a high level of capital spending while reducing its gearing. The company's ratio of long-term debt to total capitalisation has more than halved to 17.9 per cent from its peak following the $3.6bn acquisition of Belridge Oil in 1979. Unlike almost all of its rivals (including Standard) Shell is maintaining its 1986 capital and exploration spending budget at $3.9bn. This is more than double Standard's slimmed-down capital spending.

John Bookout, Shell's 63-year-old president, says that the group's overall goal remains the highest sustainable rate of growth over time, whatever the business environment. The group's minimum long-term target is ... cent average annual increase in real net income (adjusted for inflation) and a 15 per cent return on equity. Last year it earned 13.2 per cent, the first time it has dipped below its target in many years.

If Horton is to prove that he is the natural successor to Sir Peter Walters, BP's chairman, he will have to show that he can match Shell's steady long-term performance. It will not be an easy feat.








Robert Horton

Some companies would have reacted by buying out the US minority shareholders and putting in their own management team. BP has chosen to do only the latter and now finds itself in the tricky position of trying to influence the affairs of its biggest overseas subsidiary while continuing to maintain an arm's length relationship and dodge the obvious conflicts of interest which might arise from its actions.

Horton, a former managing director of BP, has been made Standard Oil's chairman and chief executive, and given the task of turning round its fortunes while making sure that he does give the impression that he is merely acting as a puppet sent from BP's Britannic House headquarters in London. Two more senior BP men, John Browne, BP's 38-year-old group treasurer and financial whizz-kid, and Colin Webster, the 49-year-old president of BP North America, have also joined standard oil as executive directors.

Meanwhile, Frank Mosier, a Standard Oil veteran, has been promoted to president and chief operating officer. John Browne has been put in charge of Standard Oil's balance sheet, and Colin Webster has been given responsibility for knocking into shape Standard Oil's non-oil businesses and is expected to play a key role in the group's expanding efforts in the US natural gas market. All three men have resigned from BP.

The first signal from the new regime was largely symbolic. The previous management's well publicised plans to decorate the front of the new corporate headquarters with a 48 ft high pink and maroon sculpture, known as the free stamp, were scrapped because the object bore an uncanny resemblance to a rubber desk stamp. "I did not think it was appropriate," says Horton.

Apart from this symbolic gesture, a reshuffling of the lines of management responsibility and a further trimming of capital spending plans, Horton has been keeping his head down in his first few months at the helm. However, it is already clear that his game plan for Standard Oil is considerably different from that of his predecessors.

Standard Oil's recent performance has been marred by a couple of serious strategic mistakes. The first was to think that by spending an awful lot of money Standard Oil could discover enough oil to replace the Prudhoe Bay production when it starts declining over the next couple of years. "Prudhoe was a once-in-a-life time discovery. The fact is that seismic techniques linked with satellite technology means that it is almost a certainty that there is not another "elephant" field around in North America. It was always a vain hope to try and replace it," says Horton.

The second error was to spend heavily on diversification outside of the oil business, including investing in so-called "renewal" options — new businesses which it was hoped would grow large enough to offset the long term decline in Standard's traditional oil operations. The $1.7bn acquisition of Kennecott Copper in 1981, close to the peak in metal prices, was the classic example. It has lost close to $700m and another $450m was spent on coal properties for which no production plans exist or can reasonably be foreseen.

Despite these errors, Standard Oil still ranks "at the bottom of the first league" in the US oil industry, says Horton. It has a strong balance sheet and a downstream refining and marketing operation which he calls "the best in the US." However, it also has a number of serious weaknesses in its businesses which he is now starting to repair.

It is dependent for virtually all of its oil supply on its relatively high cost Alaskan oil fields, where production will shortly start to decline, and it has around a third of its capital tied up in a wide array of non-oil businesses which on balance contribute nothing to the group's bottom line.

The unknown which has to be fed into any long term plan for Standard Oil is the price of oil, and here Horton is more bearish than many in the US oil industry who are still hoping that the price will recover from its current levels to around $20 a barrel by year end. By contrast, Horton is working on a $15 a barrel oil price in assessing requests for capital.

Oil exploration in the shallow waters of the Gulf of Mexico still makes sense at this sort of oil price and Standard will probably continue looking for oil and gas in Alaska's Beaufort Sea. Nevertheless it is most unlikely that Standard would be prepared to finance further heavy development costs in the frontier areas of Alaska unless oil prices moved considerably higher. Rather than disband Standard's expensively recruited Houston-based exploration team Horton plans to employ it in analysing oil and gas properties which are being put on the market by more financially stretched competitors.

It seems clear that Horton is prepared to accept the seemingly inevitable decline in Standard's oil production and has in mind a production figure more in line with the group's domestic refining capacity of around 450,000 barrels a day.

While Standard seems prepared to let its oil production slip, Horton is anxious to capitalise on the group's traditional strengths in downstream operations which he believes is the most profitable of any major oil company in the US. Standard has increased the size of its downstream operations by around a third with the recent $613m acquisition of Gulf Oil's refining and marketing operations in the fas growing south eastern part of the US. The group is now selling its products in 21 states and serving over 40 per cent of the US population. A move into the important west coast market would make considerable sense given its proximity to Standard's main source of oil production in Alaska.

While the drop in the price of oil is the number one problem currently, Standard's new management team is not ignoring the other serious problems in the portfolio it has inherited. The most pressing is the group's Kennecott Copper mining operations, which have consumed a considerable amount of Standard's money and management time since joining the group six years ago.

Kennecott owns the biggest open-cast copper mine in the world—a 2½-mile wide and half-mile deep hole in the ground, called Bingham Canyon—which has huge, high quality reserves. The copper grade, for example, is twice as great as the average of its seven largest US competitors. The big disadvantage of Bingham Canyon is its antiquated production equipment and high labour costs.

Standard is moving ahead slowly with scaled down plans to modernise Bingham Canyon. It has done its sums on the basis of a 60 cents a pound copper price and its target is to make Bingham Canyon the lowest cost producer in the US. This implies that the heavily unionised workforce is going to have to make some significant concessions. "I am not a union-basher. But the simple reality of life is that I am not going to spend $400m and then be backed into a corner by the workforce," says Horton, who has already been accused of trying "to break the union at any cost."

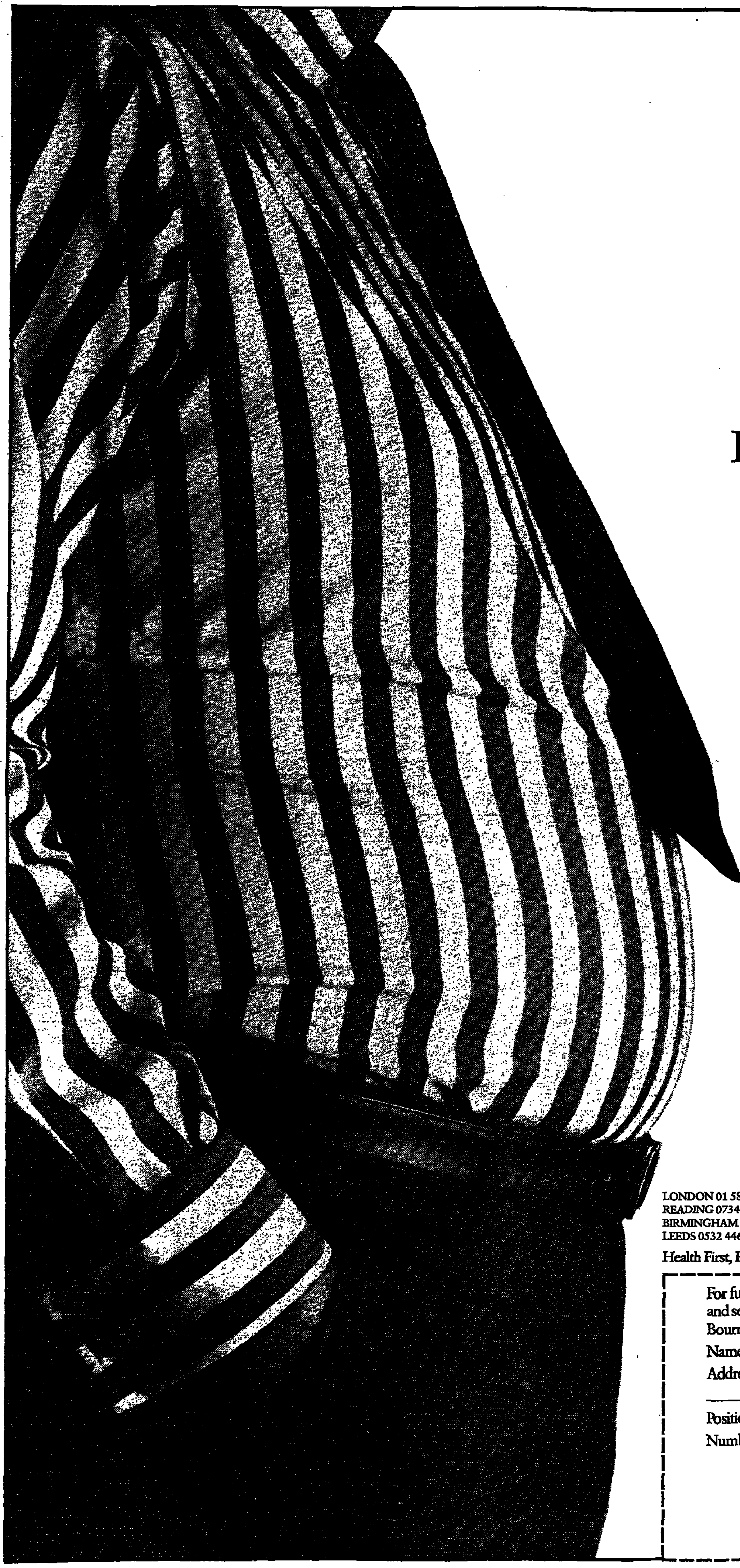
The union contract expired at the end of June and Standard has stressed that the modernisation programme will not proceed unless it can get the cost structure right. The outcome of the negotiations will give a clue to whether Horton's reputation as BP's "hachetman" is deserved. Horton has said that he does not see a need for further large staff reductions in Standard's core businesses, but in areas such as coal and industrial products he sees room for a much slimmer and more focused Standard presence and this could reduce the size of Standard's payroll quite noticeably.

"We have to get the portfolio more into balance. At the moment the seesaw is being tipped by the weight of Alaska. As the weight of Alaska lifts so I hope I can compensate by increasing the downstream earnings, making metals and mining profitable and getting rid of the unprofitable coal operations," says Horton. However, he stresses that putting in place a proper financial strategy for Standard is just as important as redrawing the group's physical strategy.

The recent successful launch of a new type of oil indexed security by Standard is the first sign of the influence of John Browne: BP's group treasurer on the group's balance sheet, and it expected to be followed by other innovations as the group refinances its borrowings. At $15 a barrel of oil, Standard should continue to have a positive cash flow. But if the price slips below this level, the group will probably have to raise additional debt, and Horton is anxious to maximise Standard's financial flexibility.

If the price of oil remains depressed for several years, Horton says that he does not have "any philosophical hang-up about shrinking the size of the organisation if that appears to be the best thing to do." He will not invest in projects just for the sake of maintaining Standard's size. However, it is clear that Horton is intent on strengthening Standard's position in the downstream industry. He admires "the strategic subtlety" of Amoco, the "financial strength" of Exxon and "the very good open management style" of Shell Oil. He wants to model Standard on the best parts of its competitors.

The popular view on Wall Street is that Horton has been sent to Cleveland to act as "the night watchman" until BP decides that it wants to buy out the minority shares, currently worth around US$5.8bn. However, this may be as unfair as the "hatchetman" description which follows him around the BP empire. "As far as I am concerned I am happy to be here for the rest of my career," says Horton, with a smile.



THE ARTS

Television/Christopher Dunkley

The puzzle fares perform

The ritual is not as neurotic as the Connors shirt-pulling tic, which in its intensity used to suggest the desperate fur-tugging of caged animals. But it is far more elaborate. It goes like this:

Tweak the racket strings, tweak the racket strings,
Wipe the forehead, wipe the forehead,
Catch a ball, catch a ball,
Bounce the racket off the left heel,
Bounce the racket off the right heel,
Shuffle the balls, shuffle the balls,
Glare across the court,
Spin the racket to the right,
Spin the racket to the left,
Tuck ball in pocket with left hand,
Take sawdust from pocket with right hand,
Bounce the ball, bounce the ball, bounce the ball,
Serve.

The perpetrator is, of course, Ivan Lendl, a man whose appearance — like a junior Norman Tebbit, imparting that same eerie sensation of the scarcely hidden skull beneath the skin—presumably explains the low level of enthusiasm he inspires in Wimbledon audiences. To be fair, the crowd managed quite a roar for him on Sunday when he behaved, as usual, with impeccable politeness after losing the final in straight sets to Becker, the ennage ball-serving machine.

The significance of the Lendl ritual is that it is utterly familiar to me even though I have been nowhere near Wimbledon this year. Like the overwhelming majority of those following the 1986 championships, I have done so via television and although I would, no doubt, have enjoyed the atmosphere and the strawberries had I attended, I know from previous visits that while television is no substitute for being there, so being there is no substitute for television.

Consider a typical television sequence from Wimbledon. As the players change ends we watch them on a wide lens from the deep shadows somewhere up under the roof of the stand. The entire Centre Court and the audience on all four sides is spread out in the sunshine before us. As the server starts his ritual with the first tweak, we cut to a camera beside the court which holds him in medium close up until the moment of his service. As he throws the ball up to serve we cut to a third camera showing the whole court.

We follow the entire rally, until the point is won, and then —before the triumphant player has even had time to stride across to his next service position—we see an instant replay of the winning shot, and a freeze-frame of some telling reaction, a punch at the air or a gritting of the teeth, mixing through from that to a medium close-up of his opponent waiting to receive the next service. The Wimbledon spectator, being in only one place at a time and with eyes that lack zoom lenses and freeze-frame facilities, misses virtually all of this.

The advantages of watching at home tend nowadays to be taken for granted in a manner we would have considered astonishingly blasé only 20 years ago, before the coming of colour, and before the penetration and near domination of so much sport by television. Having observed Lendl during Sunday afternoon's Wimbledon final so closely that every detail of his service ritual became familiar to me, I switched my seat to the South of France that evening for the French Grand Prix, and watched from the side wall of the pits as Nigel Mansell came howling down the slip road to have his tyres changed.

He was leading the race as he came in, and his pit team changed his wheels so astoundingly fast—just over eight seconds—that only Alain Prost managed to go past before Mansell rejoined the circuit. I watched Mansell then as he chased Prost like a bat out of hell, setting a new lap record, resuming the lead, and going on to win. I did not need to time the pit stop: the BBC kindly superimposed the elapsing time on the screen as the jacks and power tools went to work.

Spectators at the trackside had no such service, of course. Nor did they have the understated comments of James Hunt which have become such an enjoyable feature of the BBC's motor racing coverage. "I think Rosberg just turned the wick up a bit there," he will say languidly as the McLaren driver bangs his supercharger full on and burns round the circuit.

The previous evening I spent in Oslo where Ingrid Kristiansen produced a feat of athletics which was quite extraordinary, even by the unique standards of the Bislett Stadium. In the 10,000 metres she lapped every other competitor and smashed 45.67 seconds off the record. Of course, since Kristiansen is neither British nor male this almost incredible achievement was treated by the BBC as a minor sideshow: they allowed us to see just 1¼ laps.

Naturally we watched the whole of the "Dream Mile," which was held back until 11.15 pm local time for the sake of American television, but it was won (again) by Steve Cram. And we watched very much more of the men's 10,000 metres. Admittedly this, too, was an amazing race, featuring Said Aouita—whom David Icke will insist upon calling "the little man from Morocco"—who normally runs 800 or 1,500 metres. On Saturday he ran his first 10,000, going away from the field behind the American Mark Nenow. As they came towards the final bend Aouita moved out level with Nenow, ran shoulder to shoulder for a while, and then, demoralising his opponent utterly, "turned the wick up a little."

All this I could see in detail, thanks to the cameras, as I could see Aouita's unusual grimace of pain in the home straight. It turned out he had been spiked early in the race. Having finished in the sixth fastest time ever, he removed his shoe to reveal a nasty wound which few of Bislett's spectators will have seen.

All this occurred less than a fortnight after I had looked into the bewildered eyes of poor, brave Barry McGuigan as instinct dragged him up off the canvas for the third time during that awful 15th round in Las Vegas and like a dutiful 10-year-old schoolboy, he held up his gloves to the referee to show they were free from grit. It is not often that a television critic finds himself in tears in front of the set at 3.00 in the morning but it happened that day.

In the interim, of course, television relayed the World Cup final live from Mexico for those interested in such things (11.75m watched on BBC1, which attracted 16.1m to EastEnders in the same week) and this week I have half-a-dozen of the best vantage points at Edgbaston for the Third Test on BBC1 and 2. I also have a thrilling pillion seat position with the leading group in the Tour de France which is being covered daily on Channel 4. Although I am still utterly confused by the combination of arbitrary cutting and identical kit used by members of the same team, I cannot resist the excitement of the daily finish.

We are immensely fortunate. Not only have no previous generations been able to experience the greatest moments of the world's greatest sports in their own sitting rooms like this but, thanks to the cameras, we often have benefits which equal or outweigh the advantages of those who can afford to be there. However, we should not allow any of this to blind us to television's shortcomings.

Increasingly often television attends sports events not as a neutral observer but as a big investor; sometimes the biggest. The BBC and ITV together have just paid £6.2m for League soccer over the next two seasons. Television fees were among the chief factors in the row that attended the staging of the 86 World Cup. Wimbledon fortnight is almost unimaginable without the integral presence of the BBC—and so on.

The result is that we can no longer look to television automatically to continue the function of sports coverage as practised by the newspapers, then radio, and to some extent by television itself in its early days: the combination of reporting and critical commentary. Once in a while one of television's current affairs series will mount an investigation into a sports scandal, as World In Action did most impressively last week into FIFA. But the sports programmes themselves are now more likely to provide a "puzzle faces" competition than any real critical commentary. It is more and more common for television's interests to be aligned with those of the promoter rather than those of the viewer.

Given television's function as a performance medium that may be inevitable. But there is one step which the broadcasters could take to maintain respect as impartial commentators upon sport even while they become more deeply involved in it, and that is to sustain their sports magazine programmes — BBC1's Sportsnight and ITV's Midweek Sports Special (and preferably something much better than the latter)—throughout the season.

Midsummer with Wimbledon just finished, Test Matches on, and the Commonwealth Games coming up—assuming Bryan Cowgill and the Daily Mirror can save them—is precisely the time when Sportsnight is most needed, yet it is the very time when it is off the air. This habit of abandoning sports magazine programmes as soon as sport itself proliferates reinforces the suspicion that they are seen not so much as serious adjuncts to sports coverage, but as second rate substitutes for it.

Ivan Lendl: "a ritual for more elaborate"

Metamorphosis/Mermaid

Antony Thorncroft

Franz Kafka, a tortured soul if ever there was one, has found his perfect modern interpreter in Steven Berkoff, another intense spirit. Berkoff first had a go at Metamorphosis in 1969, casting himself as Gregor Samsa who "awoke one morning from uneasy dreams and found himself transformed in his bed into a gigantic insect." This time round he is Gregor's father: more to the point he staged this haunting tale of man's inhumanity to man, especially when the man is a bug.

On a bare stage there is a tubular climbing frame, which acts as Gregor's bedroom and offers his occasional access to the wider world. The actors project rather than play, giving each word an emotional drama. There is no interval. For 90 minutes the physical destruction, followed by the mental killing, of Gregor Samsa is performed against the solemn percussion of Mark Glentworth; the stark lighting of Berkoff (with Lorraine Richards) and a direction which does not loosen its grip for a second.

Gregor takes his transformation calmly. He can even withstand his family's horror. It is their gradual forgetfulness and irritation which crushes his spirit. As a story it is wordy and pretentious: in Berkoff's adaptation, which is verbally faithful, all the resources of modern theatre, from mime to movement, make the static mobile.

Berkoff is brave enough to surround himself with strong actors. Tim Roth, the current bright young name, has the physical dexterity to cope with the crawling and the climbing but, still in his commercial traveller's gear, best plays the insect with his voice, with the nibblings and twitterings.

Berkoff and Linda Marlowe, as the parents, convey the complexity of emotions necessary when a son has had such a change of life. But most compelling in an exhausting coup de théâtre is Saskia Reeves as sister Greta, who delivers constantly at the top without slipping over. Gary Olsen rounds off a cast which will send home lovers of the Berkoff school of theatrical over-kill talking intensely until the dawn.

Travelling Light, ICA

Michael Coveney

"A fantastic girl has arrived from Australia. She looks like Mickey Mouse." So said Pina Bausch when Meryl Tankard joined her Wuppertal dance troupe and, after five years as one of its outstanding performers, Tankard has returned to Sydney and created two pieces, one about her native beach culture, the second, Travelling Light, about "the excitement and banality of being en voyage."

This is an intriguing concoction, in part a superficial synthesis of many Pina Bausch techniques, in part a reminiscence of them in favour of tacky cabaret values. Tankard and her quartet of men appear in Hawaiian beach clothes, proceeding jerkily through customs to the accompanying strains of "Volare" (a song celebrated in a very different context in the Royal Court's Road). Phrases overlap, the motions of packing and lolling on suitcases lead to a sunbathing scene — white clothes, travel catalogues, straw hats and torsoes — redolent of that unforgettable leisure scene in Bausch's 1980.

Whereas the Catalan El Tricicle's travel show confines itself to airport and onboard manners, Tankard's show changes shape to suit her talent which is, on this evidence, at least as comic as it is balletic. A jungle expedition becomes a spoof Tarzan film. An oriental cabaret dancer sequence dissolves in an Esperanto rendition of "The Isle of Capri." And a fairground outing has the cast bouncing around like human pogo sticks, particoloured dodgem cars and targets in the shooting range.

In her exotic camp persona Tankard has a hint of Theda Bara; in the goofy knockdown items, a touch of Bea Lillie.

The regimented anonymity of Bausch has yielded to the transfiguration of a star performer. A Far Eastern restaurant is aglow with red lighting and slick waiters as Tankard delivers an incomprehensible torch song like some demented Japanese version of Mireille Mathieu. The title song could come from a 1950s revue, Tankard in Christmas tree fairy white with a luggage-toting, all matching chorus line. What Meryl Tankard needs now is some first class material. Meanwhile, she can bide her time and experiment within an already impressive range.

Frank Hauser has written and directed Killer Instinct, a rather glum thriller playing for two more weekends at the Three Horseshoes pub in Hampstead. One of two brothers has supplied the daughter of an Italian cabinet minister with some adulterated heroin. The girl has died. The social circumstances of the transaction sound implausible, but there is one very good performance from Oliver Parker as the slow brother and a resonably promising one from Guy Moore as his rabbit-like partner in crime. The police cell interrogations are more convincing than the events and characters to which they refer outside—apart from the curiously sad echo of some recent headlines.

Serenade/Coliseum

Clement Crisp

What has proved so impressive during this season's performances by the Dance Theatre of Harlem, and was again in evidence on Monday evening in a change of programme, is the integrity of the company's dancing.

This essential honesty of style was very clear on Monday in the triple bill of Serenade, Voluntaries and The Firebird, each different in its ideals, but each alert with the company's whole-hearted, whole-bodied involvement in the dance. Serenade looked, as it probably should always look, like an adventure in classic style, and the women of the company seemed on their best academic behaviour: precise yet free in manner, generous in the impulse of their dancing.

Glen Tetley's Voluntaries was no less well done. The idea of flight that guides the choreography — and its arrière pensée about grief — was bravely displayed by Yvonne Hall and Augustus van Heerden, with Stephanie Dabney, Joseph Cipolla and Donald Williams as the subsidiary trio, and six attendant couples soaring around them.

The Firebird which ended the evening is John Taras' relocation of the legend in some imagined jungle, where the stalwart Donald Williams finds Stephanie Dabney as a flashingly brilliant bird, and defeats a horde of evil beings to win the radiant Lorrainse Graves.

Gary Karr/City of London Festival

David Murray

Before Koussevitsky became a conductor, he was a double bass player like Karr, and his splendid Amati was given to that young virtuoso by his widow. Karr remembered the debt in his recital on Monday in St Bartholomew's Hospital: he played three of Koussevitsky's own salon pieces in his all-Russian first half, and also the familiar Rakhmaninov "Vocalise" which — less familiarly—is supposed to have been meant first for Koussevitsky. It sounded warmly, comfortably at home on the instrument. Only those who have not heard Mr Karr would be surprised. Middle-aged now but not a whit less spry with his instrument, he makes it sing and breathe like a super-cello.

Among his Russians was Skryabin, unexpectedly represented by five transcriptions, skilful if perverse—one of the Preludes for left hand alone, another of an étude from Op. 42. The latter was one of the pieces that made one regret the thick-but-muffled sound of the baby grand allotted to his excellent accompanist Harmon Lewis; in that transcription the piano retains much of the melodic burden, but in the Great Hall of St Bart's one would hardly have guessed. In other Skryabin Karr was stylishly impassioned, in Koussevitsky—pungently Russian stuff, however lightweight—broadly lyrical, in early Glière crisp and dazzling.

The double bass is not going to supplant the original clarinet in Schumann's Op. 73 Fantasiestücke, but it never sounded unwieldy in the fervent Karr/Lewis version. There were lesser bonbons afterward, and a neat stunt-piece—"The Last Contrabass in Las Vegas" by Eugene Kurtz —that exploited the instrument vigorously against a monologue for the player. (Karr loves monologuing, of course, but his exuberant TV persona was kept on a close rein for the recital.) The main impression, as usual, was as much of brimming natural musicianship as of uncanny technique.

That other genius of the double bass, François Rabbath, is probably still securer of pitch, and more sensational as a one-man band (I don't doubt that he does the 2nd Daphnis suite as a party solo). What Karr has done instead is to enlist the unique timbre of the instrument into the ranks of real singing voices, like the whale who really does get to sing at the Met.

Osud/Deutsche Oper, Dusseldorf

Andrew Clark

Perhaps London was lucky; more likely the Deutsche Oper am Rhein didn't get it quite right. Osud is the last new production to be seen in Düsseldorf and Duisburg before Grischa Barfuss ends a distinguished 25-year period as director of the company.

Given the success in London of the Rattle concert and the ENO staging, recently adapted for Bremen and to be seen again next season at the Coliseum, it was good news that another of Europe's more open-minded and versatile companies should decide to add this under-appreciated work to its Janacek repertoire — Düsseldorf was the first German house to establish a cycle of the six Janacek masterpieces, back in 1977.

But the new Osud, of which I saw the third performance, is not quite the success the company deserved. The problems are a mixture of visual and musical, and show that, although Osud is far from the impossible opera it was once thought to be, it still poses special difficulties.

Unlike the previous German production — Stuttgart in 1958 — the Düsseldorf stage director Bohumil Herlischka is faithful to the composer's order of scenes and uses a new German translation by Klaus Henneberg. The single set by Ruodi Barth comprises a semi-circular glass pavilion which, with the over-dressed summer gaiety of the first act, caught the period atmosphere of the spa but forced most of the action to take place in the wings or too far back. Dialogue was lost — most importantly in the long Mila-Zhivny reconciliation scene— and there was an overall air of remoteness. The early scenes lacked spontaneity.

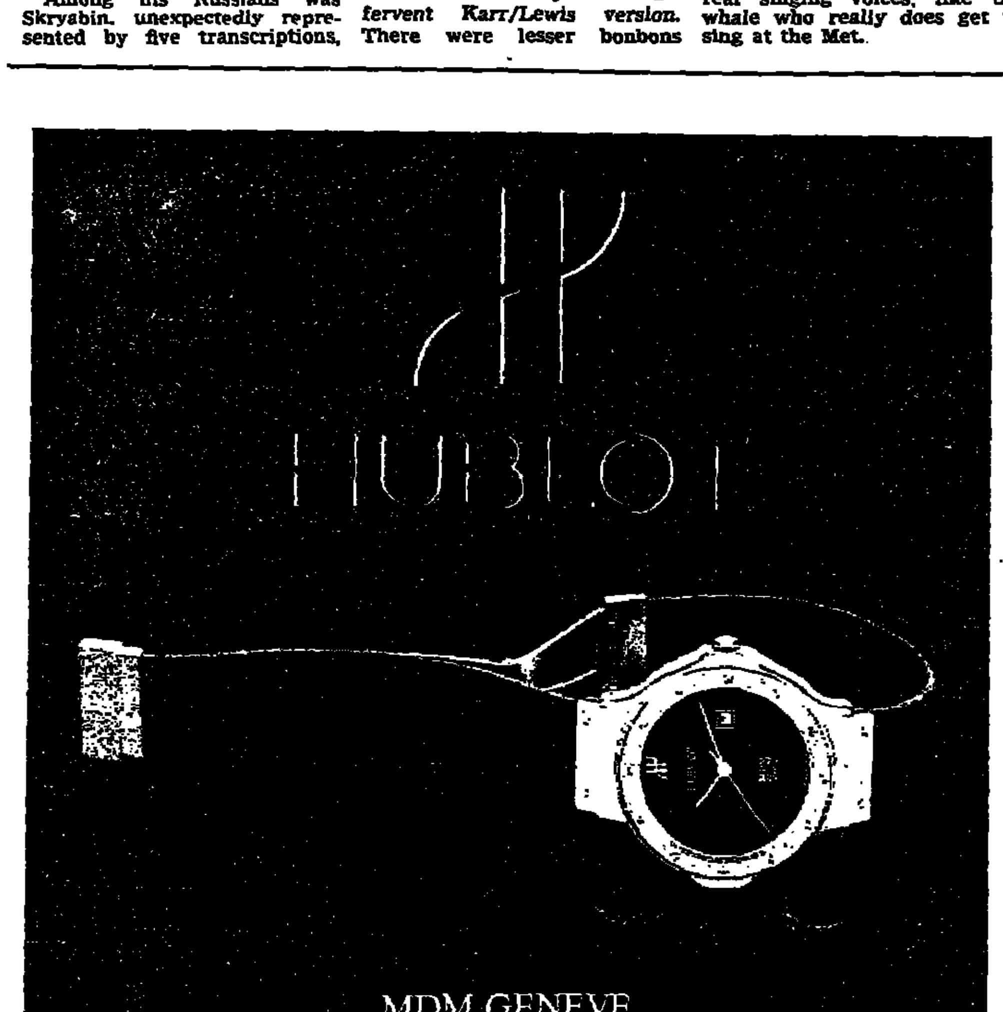
The set, in itself a very simple and artistic design, proved more suitable and was more atmospherically lit for acts two and three, though even the fateful tumble from the parapet of Mila and her mother was unconvincingly handled. At the end, we had a classic piece of producer's licence: the stricken Zhivny suddenly gets up to deliver the epitaph to his incomplete opera, and walks out of the room in the peak of health, leaving his students—and, I dare say, most of the audience—dumbfounded.

The composer grotesquely gloating over his life as a source of renewed inspiration for his art? It certainly made one sit up at the end, but it was quite unnecessary.

It was equally unnecessary to divide the evening into two parts of 35 and 40 minutes, with a 30-minute interval. Perhaps the subscription-holders would have felt short-changed to be out on the street too early. But the chances of conveying some of dramatic momentum were nil. The only forward-looking aspects of the opera were to be found in the score, which seemed to stretch the capabilities of the Duisburg Symphony Orchestra. The conductor was Jiri Kout, who has otherwise proved himself a staunch champion of Janacek.

The cast cannot be blamed for the lukewarm effect. Some of the vignettes—especially Helmut Pampuch's Hrazda in the final act—were imaginative and telling. Mila's mother was not very well sung by Elsie Maurer, who did not look sufficiently old or crabbit.

Mani Mekler as Mila illustrated her formidable talent as a singing actress. It was not her fault that she had to force to be heard. Mario Brell's pointed lyric tenor was ideal for Zhivny, and he acted the role with poise. The production really gripped the imagination only during his outburst of recrimination in act two and his transfigured appearance to the students in the act three monologues.



Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

July 4-10

LONDON

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

NETHERLANDS

Amsterdam, Stadsschouwburg: English Speaking Theatre of Amsterdam repeats its successful run on Orton's Entertaining Mr Sloane (24 23 11).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holmes's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Kabuki (Kabuki-za): a dance piece, Yakko Dojojo, based on story of a dancing girl performing a temple ceremony, with popular male comic actor Ennosuke playing the girl. He also stars in Date no Ju Yaku with stylised fights, acrobatics and quick changes. Kabuki-za, Higashi Ginza (541 3131).

Fool for Love (in Japanese), the final of the Sam Shepard trilogy presented by Parco company, directed by a visitor, Paul Joyce. Parco Space Part 3, Shibuya (477 5880/5858).

Saleroom/Antony Thorncroft

No takers for Turner

Christie's had a major disappointment at its English watercolour sale yesterday when one of the finest watercolours by Turner to appear on the market in years, of Maggiore, was bought in at £170,000. The vendor was hoping for around £200,000. This apart the auction did well, topping £500,000.

A William Callow view of Edinburgh from Salisbury Craggs trebled its estimate at £32,400, and a Thomas Shotter Boys view of Notre Dame in Paris went for £30,240. A Gainsborough landscape was bought by Colnaghi for £21,600, a De Wint of Knaresborough sold for £18,360.

Two rare views of Fouthill Splendens, the grand house knocked down by William Beckford in 1801 after fewer than forty years of splendour, sold for £10,260, five times forecast.

One of the surprises was the £23,760 paid by Agnew for a drawing of the cave of Dionysius at Syracuse by the Scottish artist John Brown. Its top estimate had been £3,000.

An album of watercolours depicting the route of the overland mail to India sold for £23,760. The views, attributed to Henry Fitzcook, were used in a diorama which opened at 14, Regent St in London at Easter 1850, and played for 1,600 performances before 250,000 people. A diorama, which combined stationary views, moving panoramas, changing light to mark the passage of time, and similar effects, was one of the great popular entertainments of the day.

In an auction of decorative arts at Christie's an Asprey's glass and chromed metal dining table inlaid with Lalique panels, made for an Indian Maharajah, sold for £86,400 (top estimate £30,000). The six Asprey chairs plus two dining chairs to go with it realised £20,520, just over forecast.

Sotheby's completed the sale of the contents of Rous Lench, the home of the late Tom Burn, on Monday evening. The grand total was £3,251,454, which will be divided between the two loyal members of his staff whom he made his heirs.

The Wolverhampton Art Gallery paid £34,100 for an enamel Staffordshire knife case of about 1765, painted with landscape views, still with its knives and forks. It was an auction record for an English enamel. In 1965 the case sold at Sotheby's for £2,500. Top price was the £137,500 paid by Mallets for a black Japanned bureau cabinet of the late 17th century.

An English double manual harpsichord made by Joseph Tisseran in London in 1710 went for £41,800. Among the clocks, a walnut longcase clock by the celebrated Thomas Tompion sold to P. A. Oxley Clocks for £46,200, comfortably above its high estimate.

BBC editor to join Thames TV

Former Panorama and Nationwide editor Roger Bolton is leaving the BBC to join Thames Television. Mr Bolton, was head of BBC's Manchester network production centre which was scrapped in a regional shake-up. He joins Thames in August as editor of This Week, which returns to replace the current affairs programme TV Eye in September.

Mr Bolton was editor of Panorama for two years from 1979 before going to Nationwide as editor, where he stayed, also for two years, before moving to the Manchester centre.

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Wednesday July 9 1986

Lament for Gramm-Rudman

IN SPITE OF the US bond market's initial inclination to shrug it off as an irrelevance of narrowly political importance, Monday's Supreme Court decision to strike down the key provision of the Gramm-Rudman deficit reduction law could well become a serious setback for US economic policymaking at a time when the world can ill afford it.

It is true that an adverse court decision was widely expected, that it was justified on constitutional grounds and that the Reagan Administration has welcomed the court's verdict. The fact remains, however, that Gramm-Rudman was the only tangible part of the deficit reduction bandwagon which US politicians of all parties have been trying to get going for the past five years. This vehicle was rickety enough before the Supreme Court judgment. Now, without the enforcement procedure which would have cut all government spending automatically whenever deficits exceeded the Gramm-Rudman Act's pre-ordained norms, the bandwagon may still be rolling, but it is held together by nothing more solid than strings of paper promises and dense clouds of hot air.

Deflationary forces

The magnitude of the setback must not be exaggerated. In the end, some cuts will almost certainly be made, even without the automatic enforcement procedure. Cuts in defence spending already legislated will see to that. Sceptics can also argue, on the other side, that Congressmen have become so adept at window-dressing their budgets that the Gramm-Rudman target of a $144bn deficit in fiscal 1987 was never going to be hit in any case.

Thus, the general expectations for budget deficits in Wall Street remain much the same today as they were last week. The deficit in 1986 will be around $215bn and it is likely to fall to somewhere between $160bn and $190bn in 1987.

Why, then, does the emasculation of Gramm-Rudman matter? It matters mainly because a clearcut medium-term framework for fiscal stabilisation would have been extremely useful at this juncture, not only for the US but also for its trading partners.

Recent economic indicators have tended to suggest that both the US and the world economy are past the peak of the current business cycle—the collapse of oil prices is helping to ensure against any abrupt deceleration of the world economy, but deflationary forces still appear to be in the ascendant. If this picture were confirmed in the coming months, the task of cutting the US budget deficit would prove even more difficult than anticipated, both economically and politically.

Not only would the sluggishness of the economy deprive the US Treasury of the buoyant revenues assumed by Congressional budgetmakers. Even more importantly, there might be few signs of the political payoffs expected from budget reduction. The American public will expect to see benefits, not further economic setbacks, as a result of their legislators' budgetary retrenchments. If faster economic growth is not forthcoming there will be strong temptations to go back on the retrenchments, or to seek scapegoats abroad, or to indulge in a mixture of both.

The fact is, however, that the direct short-term effects of US budget cuts are likely to be deflationary. America's main hope for short-term economic benefit is on the foreign trade account. In other words, if the US did manage to cut its budget deficits significantly, it would expect a rapid rise in exports and a significant decline in import penetration to compensate for the tighter fiscal policy's deflationary domestic effects.

Fiscal policy

This improvement could, in principle, be achieved in three ways—by domestic demand expanding far more rapidly in other countries than in the US, by a further precipitous fall in the value of the dollar, or by protectionist measures in the US.

If America's trading partners wish to avoid either of the last two options, they will need to think carefully about how they can boost their domestic demand to compensate for the tightening of US fiscal policy. Gramm-Rudman gave everybody a road map, however hazy, of the way ahead. The US political system must now come up with convincing evidence that they mean to stick to this road—and America's trading partners must take notice.

Italy needs Mr Craxi

THE ITALIAN political crisis, which was brought about by the defeat in parliament nearly a fortnight ago of the five-party centrist coalition, seems to have degenerated into a lamentable power struggle between the outgoing Socialist Prime Minister, Mr Bettino Craxi, and Mr Ciriaco de Mita, leader of the Christian Democrats, exacerbated by personal animosity between the two men. Today the veteran politician Amintore Fanfani is due to report on his consultations with the political parties, and it is becoming urgent that President Francesco Cossiga should appoint a Prime Minister. On balance, it would seem that Mr Craxi is still the right man for the job.

It is his signal achievement to have demonstrated that it is, after all, possible for Italy to have firm as well as stable government, and it is the firmness which is the greater novelty. Most Italian governments since the war have been very short-lived, lasting on average for less than a year. Having stayed in power since the elections of August 1983, Mr Craxi has broken all post-war records for governmental longevity.

Deeper stability

At another level, of course, the traditional instability of Italian governments has been a surface manifestation on top of a deeper kind of stability, in terms of their political complexion. All governments since the war have been of the centre or centre-right, to the formal exclusion of the large Communist Party, and all have been dominated by the Christian Democrats, who currently hold a third of the seats in parliament. Moreover, there has been a corresponding stability in the *dramatis personae*, since the rotation of ministerial portfolios has usually been confined to a narrow cast of familiar political figures.

This kind of stability has not, on the whole, given Italy strong government. The originality of Mr Craxi's three-year tenure of the Palazzo Chigi is that he has shown for the first time that Rome can provide firmness in the face of Italy's natural tendency towards a certain anarchy. At long last he has given the clear impression that the Italian state is strong enough to stand up to the Mafia, as exemplified by the mass trial of 474 Mafiosi which started in Palermo earlier this year; and last year he made a signal contribution to the fight against Italy's endemic inflation by holding, and winning, the referendum to weaken the wage indexation system.

This crisis seems to have no other reason than the resentment of the Christian Democrats at Mr Craxi's long hold on the power and prestige of the premiership. As the largest party in the coalition and in parliament, they have made no secret of their claim to the top political job, and for some months their impatience to recover the premiership has been increasingly manifest. Their resentment may be exacerbated by the knowledge that, before he became Prime Minister, Mr Craxi showed no scruple about destabilising governments led by others.

But no party has suggested that the argument is over policy, or that the next government should pursue different policies from the last. In short, this is merely an unedifying struggle for the political spoils.

Somehow or other, the Christian Democrats and the Socialists will have to reach a tactical accommodation, since both parties will have to be part of any plausible coalition. The Christian Democrat proposal of a "seven-year pact," under which Mr Craxi would retain the premiership until elections scheduled for 1988, if he would promise to support a CD prime minister thereafter, carries little credibility. It would seem more sensible for him to retain the premiership without commitment until the next elections, whether they are held in 1988 or prematurely, and debate the issue again thereafter.

Sterile bickering

After all, this is not a good moment for Italy to revert to sterile political bickering: the economy is launched on a path of reasonable growth, inflation has fallen substantially, and the balance of payments is recovering. A prolonged political crisis can only prove damaging.

On one important point, the two parties do seem to agree: to ban the practice of secret voting in parliament, which on this and on other occasions has enabled disaffected members to bring down governments with impunity and without being detected.

The fires still smoulder

Five years after Britain's inner city riots. Ian Hamilton Fazey and Arthur Smith ask whether anything has changed

FIVE YEARS AGO, during the sweltering first weekend of July 1981, the Toxteth district of Liverpool exploded in rioting so serious that it prompted the first use of CS gas on the British mainland.

Bad relations with the police were the spark. But the root causes were social and economic, the result of 70-odd years of inexorable decline in Merseyside's port-based service industries.

A shocked Mr Michael Heseltine, then Environment Secretary, rushed to the scene to discover causes and propose solutions. Five years after the resulting "Heseltine initiative" some impact has been made on the economic infrastructure of Merseyside; but Liverpool 8's tale of joblessness and despair grinds on. Black Toxteth remains, now as then, a community turned in upon itself, and seething.

At the time of the riots, Mr Heseltine already had one agency in place, the Merseyside Development Corporation (MDC), which had been set up to revive the port's derelict dockland. He established a second: a Task Force to pull together the civil service departments into a single agency, breaking the federal structure of Whitehall.

Both bodies have become prototypes—up to eight urban development corporations are being proposed to Cabinet by the present Environment Secretary, Mr Nicholas Ridley. The Government, it is clear, intends to build upon the project-by-project, public/private sector approach. What evidence is there in Liverpool that this is the right approach? The evidence, inevitably, is mixed.

One key Heseltine funding mechanism, the Urban Development Grant (UDG), was borrowed from the US. Government would put in one pound for every two or three from the private sector, encouraging ventures which would otherwise be doomed by excessive risk or the prospect of poor returns.

UDG has failed in Liverpool. Plessey got £1m towards renovation of part of its Merseyside factory and the Manchester-based Britannia group received £1.3m for refurbishing a fading symbol of Liverpool's past glory, the Adelphi Hotel. But funding has fallen well short of the scale which Mr Heseltine had hoped for.

The main reason is that UDG relied on local uathorities acting as intermediaries between private sector applicants and the Government. When the Militant-dominated Labour party took control of Liverpool City Council in 1983, that was the end of UDG there.

Government's response was to use the MDC and Task Force to bypass the local authority and so to inject funds directly. Of the roughly £100m a year which Merseyside receives as a direct result of its economic problems, about a third is channelled through the MDC, and the Task Force has effective authority over the rest.

After spectacular success with the 1984 International Garden Festival, the centrepiece of MDC efforts is now the Albert dock in the heart of the city. This is being developed at a cost of £70m by the London property company Arrowcroft and is already proving the focal point for the fledgling tourist industry. It is an impressive complex of waterfront shops, offices, apartments, and museum and leisure facilities which will include the northern home of the Tate Gallery.

And significantly, a week before the fifth anniversary of Toxteth, 17 organisations, mainly private sector, put more than £500,000 towards feasibility studies for a Mersey barrage. The £450m scheme promises to be the biggest single infrastructure project the area has ever seen, and should create 5,000 jobs.

Such schemes, however, still feel very remote from Toxteth. Unemployment remains stuck at around the 1981 level of 20 per cent, while black unemployment, especially in places like Liverpool 8, is put at over 40 per cent. The black community sees projects under way elsewhere, but still has no work. Ms Maria O'Reilly, community relations officer, says: "People want to work. They come up to me in the streets, pleading, 'Do you know where there are any jobs?' They feel helpless and hopeless."

Ms O'Reilly says that blacks cannot get bank loans to start new businesses because they do not know how to prepare business plans and there is no one to teach them.

There is even a lack of local banks. NatWest — rebuilt after being burnt down in the riots—is the only one. Borrowing against your house is a nonsense because there are few owner-occupiers and no building society branches. Abbey National, under Heseltinian pressure, opened one after the riots but, later, quietly withdrew when its operations proved not to be commercially successful.

Relations with the police seem never far from rupture, despite "community policing" in twos and on foot. The appearance in a Toxteth street of a single, slowly-cruising transit van on a warm summer evening when many people are about—as happened recently—can undo instantly what little goodwill may have been built up.

There is no doubt that today the police have, through community policy, better intelligence, and with better equipment and training more effective ways of keeping a lid on trouble.

The Ridley initiative is the Government's own acknowledgement that this is not sufficient; that something more has to be done to address the problems summed up by Brenda Freeman, a black community relations worker.

She says: "We face problems of racism, intertwined with social and economic difficulties. Even training may not help. My brother-in-law has spent the last five years going on every Government-sponsored course there is. People like him must be among the most qualified unemployed people there are."

Five years on, few of those involved in dealing with Toxteth's problems would challenge either the analysis or the argument that a major new push is needed.

The difficulty, as ever, will be for central government to find ways of working with rather than against the local community and to maintain some consistency of thrust.

Many in Liverpool believe that if only Mr Heseltine had remained in his Environment job, things would now be a lot better than they are. Now, the policy depends upon a politician, Mr Ridley, who comes from the opposite, free market wing of the Tory party.

Perhaps the clearest indication of the uncertainty at the heart of government policy is the fact that that in between the Heseltine and Ridley tenures at the Environment Department, there have been no fewer than three other incumbents.

TENSIONS AT HANDSWORTH 'UNUSUALLY HIGH AT THIS TIME OF YEAR'

"PLEASE, God, get in the car quickly boy," murmured Mrs Winifred Griffiths, an 81-year-old widow.

Wearing the same rosette as for the Queen's Coronation in 1953, Mrs Griffiths was at the front of the crowd waving to Prince Charles as he emerged from a discussion with business and community leaders at a newly-built church in Handsworth, Birmingham—just a petrol bomb's lob away from where two Asians burned to death in riots last September. She was concerned that the abuse being hurled at the Prince of Wales by a group of black youths could lead to renewed violence.

Nine months on, the Prince was anxious to see what was being done to solve the area's problems. ...

Villa Cross, the one-time cinema and bingo hall—flashpoint of the September 10 riots, where firemen trying to douse the blazing building were stoned by gangs of youths—still stands gutted and empty. It has been purchased by Birmingham City Council, Labour-controlled, but in a city where the Tories embrace municipal enterprise and veteran leader, Mr Dick Knowles, brags that his Socialists work constructively with capitalists.

Handsworth's decaying Victorian villas show it was once a fashionable district. But it was the row upon row of artisans' dwellings, mainly erected before the First World War, that provided the low-cost housing for immigrants who moved to the booming Birmingham of the 1950s and 1960s.

They worked in the foundries and factories of nearby Smethwick and Aston. But the pace and depth of recession, which has swept away jobs and companies, has left Handsworth an increasingly isolated residential island. ...

Mr John Downie, a senior city council planner, is convinced the root of the unrest and violence is unemployment at nearly 40 per cent and much higher among the young and the black. "These people are alienated," he says. "They can see no future for them, but just five minutes down the road they see the motor-cars and prosperity of the other Birmingham. It's a different world."

According to Mr Downie, not a lot has changed in the past nine months. Only a few hundred thousand pounds have been paid out of the estimated £8m compensation due to owners of the 50 shops and houses burned out. The process is expected to take another two years.

"The only thing that will help our inner cities is a massive injection of capital," says Mr Knowles. "We in Birmingham are working on a different scale and philosophy from Liverpool. We are working with business, with the Chamber of Commerce, and with the Confederation of British Industry. But we are held back by an ideological government that refuses to work with a Labour local authority."

This explains why Birmingham city council is hostile to the plans of Mr Nicholas Ridley, the Environment Secretary, for a Merseyside-style Birmingham development corporation:

"We have got the resources in Birmingham. We don't need outsiders from London coming to ask our officers what they should do," says Mr Knowles.

He is equally sceptical of the lack of new money behind the personal initiative by Mr Kenneth Clarke, the Employment Minister, to set up a task force in Handsworth to focus Government effort upon the real problems.

The Council itself is in talks with a private consortium of construction companies, banks and accountants about setting up a joint company to redevelop around 10 square miles of the city close to Handsworth in the districts of Aston and Nechells.

Mr Downie also fears that the Government could make matters worse, not better. "Things cannot happen overnight. It takes time to consult, to design a scheme, to arrange the finance, and draw up contracts," he says.

He is critical of government bureaucracy, which, he says, obstructed the housing enveloping scheme pioneered by Birmingham, where the local authority improves the exterior of houses and encourages home-owners to carry out the internal works. The projects were so successful they have been adopted nationwide.

The Government, accordingly, transferred the funding from the Birmingham inner city partnership scheme to straightforward grant — a move that, he says, has reduced the amount of money available to Birmingham and established a system of approval which has slowed dramatically programmes in areas like Handsworth.

All of this bickering between central and local government is taking place, it should always be remembered, against a tense background.

Mr Geoffrey Dear, the West Midlands chief constable, called together recently the chief officers of the seven metropolitan councils to warn them of his concern at the level of tension in the inner city areas of Birmingham, Coventry, and the Black Country. Indicators, in the areas which pioneered community policing, showed the levels of tension were "unusually high for this time of the year."

That much is confirmed by the traders, who remain on the riot-damaged Lozells Road. Mrs Griffiths, as she bolts the front door to her terraced house, shudders: "Where is it all going to end?"

Men and Matters

Kluge's cash mountain

John Kluge, the secretive 71-year-old financier who has been steadily dismantling his Metromedia broadcasting empire, is said to be amazed at the prices being paid for businesses in the US, so this week's dramatic drop on Wall Street will have come as no surprise. He has been taking his profits for some time.

He sold one of his prize possessions, a string of US television stations, for $2bn last year after Rupert Murdoch, the Australian-born media magnate, made him an offer he could not refuse; and last month, Kluge surprised his followers by selling another of his jewels—Metromedia's mobile telephone and paging operations.

Southwestern Bell, a rich regional telephone company, offered Kluge $1.6bn—the highest price ever paid in the infant mobile telephone business—and Kluge had no hesitation in accepting. Southwestern Bell "pai dthrough the nose, a ridiculously inflated price" said one analyst on hearing the news.

Assuming that the last deal goes through, Kluge, who left Germany at the age of eight to seek his fortune in the US, is left with over $2bn in cash—and Wall Street is alive with rumours on how he plans to spent it.

"We honestly do not have a clue," says John Reidy, an analyst at Drexel Burnham, and a long-time Kluge watcher.

Kluge, who once worked on a Ford assembly line, founded Metromedia in 1959 and took the company private in 1984. Since then he has been busy selling off bits and pieces of his empire. Analysts reckon he has at least doubled his money since the buy-out.

Wall Street still believes that Kluge's first love is broadcasting. It is an industry he knows, and there have been suggestions that he might be preparing a bid for CBS, which controls the biggest of the US TV networks.

However, Preston Tisch, an equally wealthy investor, has already bought a big stake in CBS. Analysts doubt whether Kluge would want to fight him.

Some watchers wonder whether Kluge might decide to become an oil man. He sits on the board of Occidental Petroleum which is headed by Dr Armand Hammer, aged 87. There have been suggestions that he would make an able successor.

Grylls' hats

In addition to being a member of the Royal Yacht Squadron, and thus one of the few human beings outside the Royal Navy privileged to fly the White Ensign, Michael Grylls, the Conservative member of parliament for north-west Surrey, likes to wave a banner for small businesses in Britain. He is the chairman of the Small Business Bureau.

It was as chairman of the SBB that he recently warned of dire consequences for small firms if GEC manages to take over Plessey. He drew attention to a report forecasting that the takeover would lead to 66 small or medium-sized high-tech firms failing, or being seriously at risk.

The report went on to suggest another 116 firms could be in difficulties if the takeover went through, with up to 24,000 jobs being ultimately in jeopardy.

Keen-eyed Parliamentarians have now noticed that, in the Commons Register of Business Interests of MPs, Grylls declares that he is "an adviser to the Unitary Tax Campaign (Ian Greer Associates)." The same Ian Greer business is retained by Plessey as its Parliamentary lobby firm.

Furthermore, the report that Grylls quoted, with its gloomy prediction about the effects of a GEC victory, was produced by Tidek Management Consultants. That Worcester-based organisation is run by Julian Forrester.

Forrester is also listed on the notepaper of the Union of Independent Companies as its defence procurement correspondent. Grylls is one of the six vice-presidents of the UIC.

"There's a miracle for the Bishop of Durham to explain —British Steel made £38m"

Sand opera

Flashes of Thomas Cook's original brilliance as travel agent to the world can still be enjoyed.

Thomas Cook Holidays has now secured exclusive British travel and viewing rights for an outdoor production of Verdi's Aida in its original setting, the Temple of Luxor, Egypt.

There will be 10 performances of the opera next year, and Cook expects to fly more than 2,000 people from Britain. The opera will be performed by the Verona Opera company with Placido Domingo.

The company will be augmented by 1,000 Egyptian soldiers to take part in the triumphal march.

Prices will start at £749 for a return ticket to Egypt and the opera ticket. Nevertheless, some 300 bookings were taken by Cook within hours of the project being mentioned.

Fawzi Mitwali, an Egyptian living in Vienna, appropriately thought up the outdoor Aida. If it works he wants to do Madam Butterfly in Tokyo. Surely an opportunity for a sail-on part for the US navy.

Wine dive

The Rainbow Warrior affair rather muddied the waters for French divers. But now that it has been settled, at least one further underwater adventure is being planned.

A French Study Group for Undersea Historic Exploration plans later this summer to send a team of divers down off the south coast of France in a more typicaly Gallic endeavour to raise a sunken cargo of champagne and claret.

The wine was being carried from Marseilles to Naples by a 200-ton Neapolitan sailing vessel, Jason, on a regular run, when it went down in a storm in 1834.

Nobody seems very optimistic about the chances of the wine being drinkable after lying on the seabed for more than 150 years.

But the bottles, it is said, would be of "inestimable value" to historians of the wine trade looking for information on how wine was made and bottled in those days.

Bit part

Overhead at Chatham House this week — "Though Sir Geoffrey Howe will not be going to South Africa, he is planning to go to Hollywood to pick up his Oscar for Out of Africa."

Observer

SOVIET CENSORSHIP

Warmer days in a cold winter

By Patrick Cockburn in Moscow

THE SOVIET leadership has always had an ambiguous attitude towards the intelligentsia. Calling on the party to respect culture and those who possessed it, Lenin once issued the injunction to "command less, or rather not to command at all." At another moment, however, he said of the intelligentsia, "they must be given work but they must be carefully watched, commissars should be placed over them and their counter-revolutionary schemes suppressed."

Since Mr Mikhail Gorbachev became Soviet leader last year the first attitude has started to predominate over the second. In the last month the authority of the main censorship body has been reduced and both the Minister of Culture and the head of the Writers' Union have been shifted to ceremonial posts.

The extent and radicalism of the new policy of "openness"—Glasnost in Russian—are endlessly debated by intellectuals in Moscow. Censorship is not abolished but criticism is much freer than under President Brezhnev. "The nation wants Glasnost," Mr Andrei Voznesyensky, a distinguished poet, told the Writers' Union congress in June. "It knows the monstrous strength of evil, lawlessness, corruption, bribe-taking, deception and double dealing."

But instead of books dealing with such topics, Mr Voznesyensky continued, readers were offered works from which all hint of controversy has been removed by editorial censors: "Sometimes a writer spends 10 per cent of his life writing books and 90 per cent trying to get it printed." He said that even then the censor sometimes so manicured works of literature submitted to him as to reduce them to the level of vaudeville.

Significantly Mr Voznesyensky's speech, and others equally critical, were fully reported in the press. Editors and publishers are increasingly confident that "openness" as a policy is here to stay. They are less worried that publication of critical material today might, if the present trend towards liberalisation were reversed, be used as evidence against them in future.

The problem for editors, theatre directors, film makers and the censors themselves is that over the last 18 months the party line on "glasnost" has maintained Lenin's tradition of ambiguity. Mr Gorbachev and the Central Committee commended the change in general but it was not clear what this meant in specific instances. Many officials did not want to be the first to find the limits of the new policy by putting their foot on the wrong side of the party line.

Even so, the Soviet Press has become progressively more interesting since President Brezhnev died in 1982. Recent corruption scandals have been heavily publicised. There are many more articles about what is wrong with the economy.

Other, more esoteric, questions have also been covered in the press. Why, asked the daily Izvestia early last year, do Soviet citizens often have bad teeth? The reason, it explained, was that for 20 years Soviet dentistry was dominated by Dr Anatoly Ivanovich Rybakov, head of the Central Dentistry Research Institute. Deciding that what mattered was not teeth but gums, Dr Rybakov stopped Soviet dentists using for fillings the type of amalgam employed elsewhere.

"Our dentists have had to use fillings made of rather flimsy plastics, which are destroyed in six months or a year. If you're lucky they may last a year and a half," Izvestia continued. Specialists who disagreed with Dr Rybakov were forced to resign and the Ministry of Health ignored all protests and criticism. Dental disease was reduced in other countries but not in the Soviet Union. A later issue of Izvestia reported Dr Rybakov's dismissal.

The press is powerful in the Soviet Union because it is an instrument of the Government and newspapers have enormous circulations. Izvestia sells 10m copies a day as do three other daily newspapers produced in Moscow. Their influence is also great because of the lack of any real forum for debate in the Soviet Union (the Supreme Soviet is a rubber stamp parliament). Debate, controversy and criticism — as in the case of Dr Rybakov — surface in the newspapers because they have nowhere else to go.

There are limits to this criticism. Key institutions of power are seldom attacked. For instance, there are many detailed and interesting articles on the failure of the oil industry in West Siberia to produce enough crude because of lack of exploration, technology and infrastructure. There is almost nothing, however, on the failure of the state planning organisation, Gosplan, to cut consumption in the 1970s and early 1980s.

The Soviet leadership also appears genuinely divided on the extent of glasnost it will allow. The press played a significant role during the 1982-85 leadership crisis, which ended with Mr Gorbachev taking charge, in undermining the position of the Brezhnev old guard. In the lead-up to the party congress this February, local party leaders and officials often came under attack in the central press for incompetence or corruption.

Yet it was never clear if the new leadership in the Kremlin would be quite so interested in washing dirty linen in public once it was in control. Mr Gorbachev was forthright during the party congress in his call for less secrecy and greater freedom of expression. But Mr Yegor Ligachev, No 2 in the Politburo, went out of his way to attack the Communist Party daily Pravda for publishing letters criticising privileges for Communist Party members.

So it is not surprising that many in Moscow suspect that more openness might be the flavour of the year rather than a new policy. Some editors have contented themselves with issuing a call for greater criticism and debate but have avoided doing anything about it themselves. "Lead editorials on the need for freshness of thought and language are often written in a language so dry that you involuntarily yawn," Mr Yevgeny Yevtushenko, another prominent poet, noted last December.

In the past three months, however, two key events have forced the party leadership to determine its attitude to secrecy and freedom of expression.

● Chernobyl. For the first three days after the fire at the Chernobyl atomic power station the Soviet authorities said nothing. It was 10 days after the catastrophe that the Ukranian health minister appeared on television in Kiev to tell people to take precautions against radiation.

Since about June 6 there has been a complete change. Stories have been detailed and often critical. This is illustrated by one recent Soviet anecdote: two men, one from Chernobyl and the other from Kiev, meet in heaven. "What did you die of?" asks the man from Kiev. "Too much radiation," says the man from Chernobyl, "and you?" "Too much information," replies the man from Kiev.

● The Writers' Union congress at the end of June may prove to be a similar watershed for Soviet writers and intellectuals. Just before it started, Mr Petr Demichev, the Culture Minister since 1974 and a chemical engineer by training, was given the ceremonial post of vice-president. At the congress itself the head of the writers' union for the past 15 years, Mr Georgy Markov, was also kicked upstairs.

Given that membership of the 10,000-strong writers' union guarantees a Soviet writer employment and the ability to get published, the departure of the old guard significantly changes the cultural atmosphere. Mr Demichev has presided over an extraordinary haemmorhage of talent out of the Soviet Union including the exiling of Mr Alexander Solzhenitsyn, the author, and Mr Yuri Lyubimov, Moscow's most prominent theatre director. Mr Markov is believed to have been behind the award of the Lenin Prize for Literature to President Brezhnev for his three-volume war memoirs.

The departure of such men was almost universally welcomed by the intelligentsia but some of them point out that many of the old taboos remain and the fundamentals of Soviet society are still unquestioned.

This is true but Mr Gorbachev apparently sees greater openness, less secrecy and more intellectual freedom at all levels as an essential part of the economic changes he wants to introduce. He directly links economic mismanagement with intellectual repression and it is this perception which is the real basis for glasnost.

Mr Yevtushenko made the same connection last December when he said: "Intellectual stagnation stopped short the economic prosperity deserved by our people and reached such depths that in our rich and beautiful land 40 years after the war there still exists in a number of cities the rationing of butter and meat. This is morally impermissible."

The World Bank

Why Mr Conable needs to set a new course

By Charles Taylor

SINCE THE early 1970s, the World Bank has not prospered. Now, however, the Baker Plan and, more recently, the Bradley Initiative have helped to create an opportunity for Mr Barber Conable, who took over as its president last week, to change the World Bank's fortunes. For the poor of the world, and the global economy as a whole, it is important that he does.

Why has the Bank lost stature over the past decade? One important factor was the erosion of ideological support for aid in the industrial countries. At the same time, the economic downturn after the first and second oil crises led to unprecedented debt rescheduling problems and increased poverty for many of the Bank's borrowers. Their domestic institutions and markets developed less quickly than was hoped. The Bank, as the champion of the Third World, lost prestige and, even more disturbing, the development impact of its projects suffered.

However the Bank has not been idle. It has bolstered the International Finance Corporation, its private sector-oriented subsidiary; launched the Multilateral Investment Guarantee Agency, a new political risk insurance agency; introduced quick disbursing policy-based loans, the so-called Structural Adjustment Loans; and established a special lending facility for Sub-Saharan Africa. But this was not enough. Its lending programme has grown too slowly; the International Development Association, its soft loan window, has been underfunded; and its role in promoting structural adjustment in the developing countries has been disappointing compared with the International Monetary Fund. Indeed, it seems to have lost much of its former clout.

What then should be on Mr Conable's list of things to do over the next six months? I would suggest five points.

(1) The Bank must strengthen its relationship with its developing country borrowers. It needs to be more responsive to positive national policy initiatives, and set tougher conditions where those are missing. It could take a leaf out of the IMF's book by adopting more transparent procedures for monitoring policy, and thinking through in advance what to do if governments miss their targets.

(2) The Bank could do more to induce parallel lending. For example, it might ask its key governors—the finance ministers of the industrial countries—to instruct their commercial bank regulators and tax authorities that lending in support of a World Bank programme is a better-than-average developing country risk, and therefore deserves special treatment. Something along these lines is underway, but not enough to alter commercial bank behaviour significantly. Obviously, the more there is a common view between the Bank and other lenders and the greater the potential flow of associated funds, the stronger it can be in its relationships with borrowers.

(3) The Bank needs to raise extra funds: the next replenishment for IDA and a general capital increase for itself. Funding has been stagnant for some years. If the Bank is to be in the vanguard of encouraging developing countries to adjust and grow at the same time, it must be able to provide plenty of high quality technical assistance, project and non-project financing. It needs the resources to enable its lending programme to grow by 5 per cent or more a year for some time to come: borrowers who risk major policy reforms are likely to want significant amounts of financial assistance to make them work.

It seems to have lost much of its former clout

(4) If the Bank's powers are to be expanded, a fourth point will need to be addressed: should the Bank's accountability to its shareholders be increased? For a long time, the directors have been pushing for more consultation with staff on individual country programmes. There must be a new accommodation, either formal or informal, soon on this issue.

(5) Lastly, to facilitate these changes, the Bank needs reorganisation. Command chains are too long and there are too many advisory positions, as opposed to those involved directly in lending. The organisation should be more like the IMF in some respects: procedures have to be streamlined, decisions delegated, expertise concentrated and desk relations with commercial banks strengthened. Incentives, and the Bank's internal planning methods need to change, to encourage more creativity and flexibility in the lending programmes: more responsiveness is needed where market-oriented development strategies are beginning to appear.

Whether this is a practical list or not depends very much on Mr Conable's leadership and on the conviction with which he can apply conservative principles to the defence of an institution with a traditionally liberal mission. His fundamental ideological problem is how to justify levying an extra tax pound or franc or dollar for a multilateral institution like the Bank and its non-domestic concerns.

Perhaps a defence can be built up along two lines: firstly, if a safety net is warranted for the poor in industrial countries, as most conservatives would now admit, it is even more justified for those threatened by absolute poverty. And the World Bank does a good deal to help build such a net in many very poor countries.

Secondly, multilateral intergovernmental economic co-operation is one element in the stable international relations we need to foster private sector trade and capital flows. The Bank is a key part of the institutional framework among nations (which corresponds loosely to contractual law within a country) that supports a relatively open, market-oriented world economy.

Mr Conable faces a major challenge. The World Bank needs what amounts to a strategic realignment if it is once more to become an effective proponent of policies that lead to long-term global economic growth. It may well be a Herculean task to inject new vigour into such a great enterprise as the Bank, but it should be worth the effort.

The author is international partner for Deloitte, Haskins and Sells management consultancy division in the UK. Formerly, he was an economist at the World Bank.

Letters to the Editor

Statistics or reality?

From the Director, Employment Institute

Sir,—You report (July 5) that Lord Young has repeated his confident forecast that long-term unemployment will start to decline by the end of the year.

What will be the test of Lord Young's assertion? If we are to judge him by the Department of Employment's own statistics, I have little doubt that he will turn out to be right. But that will be more a reflection of the way the statistics are compiled and his new "Restart" scheme is being targeted than a true indication of an improvement in the position of the long-term unemployed.

We all know too well the frailties of the monthly count of total UK unemployment and the various fudges and amendments to which it has recently been subjected. What is less well known is the arbitrary way in which we distinguish the number of "long-term unemployed" from the "short-term unemployed."

The truth is that the published quarterly figures do not capture all the genuinely long-term unemployed; they merely record the numbers with a one-year continuous spell of benefit claims. So the shortest interruption of claims is sufficient to push an individual off the "long-term" category back to "short-term." And anything from the acceptance of casual work or a short training course to a temporary place on a Government job scheme could be enough to cause such an interruption.

Suspiciously, it is short interruptions of benefit claims which the "Restart" scheme is most likely to encourage. Ministers have already made great play of the 15 per cent of the long-term unemployed at the beginning of the pilot scheme who "melted away like snow" from the register after being contacted by letter. In fact, most of those—whether actually cheating the system or simply scared off by the thought of intensive counselling—will probably "restart" claiming benefits again after a safe period. But when they do return to the register they will be identified as "short-term" unemployed. They will be joined by those affected only temporarily by the "Restart" scheme, having accepted low-paid or part-time jobs or a place on a training scheme.

I have no wish to join in any general condemnation of the "Restart" scheme. The recognition of the personal needs of the long-term unemployed for support, training and advice is long overdue. But the more fundamental need is for new jobs. Here, the "Restart" scheme offers next to nothing. Even Kenneth Clark, interviewed on the "Today" programme on June 30, could only claim a 1 per cent success record—300 jobs obtained by 32,000 people on the pilot schemes.

Massaging the statistics is no substitute for genuine job creation. But if Lord Young is prepared to compile and publish new genuine data throughout this year and next showing how many of the long-term unemployed have actually found permanent, private sector jobs I will happily take on a wager with him about whether his optimistic forecast turns out to be correct. I hope he wins.

Jon Shields,
Suite 107, Southbank House, Black Prince Road, SE1.

Trade mark office

From Mr C. Corin

Sir,—The arguments in support of the United Kingdom being selected to host the Community Trade Mark Office are substantial, including the higher level of expertise in trade mark matters of British civil servants and practitioners than that of our Continental counterparts. Further, we have no other Community organisations established in the United Kingdom and the Trade Mark Office is likely to be the last Community organisation to be established at least in the foreseeable future.

Despite these and many other valid reasons for a United Kingdom site, it is my understanding that no submission to the Commission has yet been made by our Government and with the approaching deadline of July 20 the need for action is very clear. Of the four possible sites in the United Kingdom, two in central London and two in outer London, each has its pros and cons, but on cost grounds alone, unless the Government intends to break its own "rules" and provide a substantial subsidy, the central London sites can, in my opinion, be dismissed. Since the exceptionally expensive European Patent Office was constructed in Munich, governments have become far more sensitive to the avoidance of high cost projects. It is probably an equally important factor that staff recruited from other Community countries will not wish to work in central London as none will be accustomed to the substantial daily travel problems which arise from use of a central London site.

This leaves Croydon and Harrow. The former suffers from communication problems by road and although there is a good rail service to London and Gatwick, there is no London Transport rail service of any kind. In contrast, Harrow is well placed for communications of all kinds, including easy access to Heathrow; further it has a suitable site in the town centre and as the latter is currently being extensively redeveloped, the details required by the European Community Trade Mark Office can readily be accommodated without inordinately high cost.

I have written in the hope that notice will be taken by the Civil Servants involved and to draw to the attention of those who have a real interest in fostering the selection of a United Kingdom site and the need for an attractive financial package to be sent to the Commission on a most urgent basis. The consensus among my colleagues in the patent agency and trade mark agency professions does not, I believe, place enough weight on the important aspects of finance and staff acceptability so that if the Government persists with a central London site, the British will yet again fail to carry the day.

C. J. Corin.
Trespassers W,
Bigsell Lane,
Robertsbridge,
East Sussex.

Efficient energy

From Mr D. Olivier

Sir, — On June 27 your editorial cited remarks by Peter Walker, Energy Secretary, that we must "meet the challenge of the nuclear age"; i.e., build Sizewell B.

As you later suggested, perhaps Mr Walker's remarks need to be digested with a large pinch of salt. The USA, which I thought he admired for its commitment to market forces, has not ordered a nuclear power plant since the 1970s, and has less nuclear capacity in service and committed than it did in 1972.

Private US utilities which believed such statements from Mr Walker's US counterparts, 10-15 years ago, such as Public Service Co of New Hampshire, are on the verge of bankruptcy as a direct result. Many private utilities which survived this unhappy experience have seriously committed themselves to buying the least costly options, which primarily consist of using electricity more efficiently — so-called "negawatts" instead of "megawatts."

Now, the largest federally-owned, privately-owned and municipal electricity suppliers in the USA pay customers to buy energy-efficient lighting and appliances, and buy electricity at fair prices from independent producers — combined heat and power plant, small hydro, wind, etc. In the experience of US utility regulators, electricity consumers and even shareholders, the electricity saved through improved efficiency costs less than supplies from any nuclear plant, Chernobyl or otherwise. Why continue to argue whether nuclear power is safe if it is uneconomic by a factor of five compared to more efficient refrigerators, lights and motors, as the USA has shown over the past five years?

To claim that the UK cannot compete with French electricity seems bizarre. First, EDF's low prices are sustained by an indebtedness larger than most Third World economies. Second, if this Government applies the market forces which it preaches to others, cannot the UK perfectly well follow the USA's example and invest in "negawatts" rather than "megawatts," nuclear or otherwise?

David Olivier.
15b Bradwell Road,
Bradwell,
Milton Keynes, Bucks.

South African changes

From Mr P. Middleton.

Sir, — Malcolm Rutherford's article on South Africa (July. 4) touches on the central problem: the South African government *has lost confidence and with it*, it has lost direction. In the last year what had been a steady, if too slow, drive towards reform has stopped.

One of the reasons for this, I think, is that very little encouragement was given to the Government for what were, by its standards, remarkable reforms. Instead the internal right wing grew increasingly vociferous while outside the reforms were either ignored or dismissed as cosmetic. If Britain is to play a role in bringing progress to South Africa it will have to do more than call for the release of Mandela and the legalisation of the ANC. It will have to demonstrate its belief in the possibility of a peaceful solution and it will have to visibly support the South African government in every positive step it makes towards this goal. It may not be politically easy to do this with the Healeys of this world itching to make political hay, but it is the right thing to do. If one insists on regarding the South Africans as pariahs one *cannot expect* to influence them.

The West has missed an opportunity to sustain and advance progress in South Africa. If future policy towards South Africa is to be decided by parochial considerations within Britain and the United States then this opportunity will be gone forever.

Philip Middleton.
69 Old Broad Street, EC2.

FINANCIAL TIMES
Wednesday July 9 1986

Jurek Martin highlights the factional undercurrents threatening the Japanese premier's future

Nakasone's need to rewrite the rules

JAPANESE POLITICAL logic is not always easy to follow. In 1983, Mr Yasuhiro Nakasone led the Liberal Democratic Party to an electoral setback, was promptly written off, and then put Lazarus to shame.

Now, he has just orchestrated the biggest triumph the LDP has ever known, yet cannot be absolutely sure of remaining party president, and hence Prime Minister, and may indeed end up taking to his metaphorical bed, voluntarily or otherwise.

The sticking point, and the central issue in the upcoming bargaining, is that LDP rules stipulate that a party president may not serve for more than two consecutive two-year terms. Unless the rules are rewritten, which requires the approval of two-thirds of the LDP's MPs, or waived, which can be accomplished by backroom fiat, Mr Nakasone is supposed to step down on October 30, when his second term expires.

After the election, the Prime Minister solemnly insisted that he would abide by the rules. He did not say, perhaps deliberately, if he meant as they are, as rewritten, or if waived.

The three "new leaders" who have been in line to succeed him — Mr Shintaro Abe, the Foreign Minister, Mr Noboru Takeshita, the Finance Minister, and Mr Kiichi Miyazawa, the LDP executive chairman — all intimated he should step aside, though with different emphasis.

Mr Takeshita half hinted that Mr Nakasone had acquired a certain momentum, while Mr Abe had held out an olive branch to Mr Takeshita; Mr Miyazawa was mostly glum.

What happens to the rules, never sacrosanct in LDP history, and to the contenders, including Mr Nakasone, depends in good measure on the balance of factional power inside the LDP.

As the accompanying table shows, at a crude level the big gainers were Mr Nakasone's group and that beholden, nominally, to Mr Kakuei Tanaka. Depending on the count, which varies according to assumption made about the allegiances of the technically unaffiliated, the two now number about half, or well over half, the party's total Diet representation.

Since they formed in 1982 the basic alliance that put Mr Nakasone in power, they could, if they stick together, be able to determine the succession and its methods. However, unlike 1982, the Tanaka faction now has a candidate of its own for the leadership, in the person of Mr Takeshita.

LDP FACTIONS' STRENGTH IN JAPANESE PARLIAMENT

	1986	Change
Tanaka	141	+20
Suzuki	88	+8
Fukuda	82	+11
Nakasone*	77	+17
Komoto	34	same
Unaffiliated	27	+2

* Commands the informal support of at least 11 of the unaffiliated.

Source: Asahi Shimbun

Before the election, the Finance Minister's star had been waning, partly because of the higher yen and partly because of his inability to resolve a schism in the faction, which left him with only about two-thirds internal support, the balance belonging to Mr Susumu Nikaido, the LDP vice president.

But it looks as though most of the new Tanaka faction MPs are of the younger generation, whom Mr Takeshita has been assiduously courting. He could, therefore, be closer to uniting it than hitherto, and a bigger threat to Mr Nakasone.

A decisive intermediary role in this relationship would have to be played by Mr Shin Kanemaru, the LDP secretary general, who is, in effect, "threefer." He is a leader of the Tanaka faction, related to Mr Takeshita by marriage and Mr Nakasone's chief election strategist. Mr Kanemaru hinted on Monday that Mr Nakasone might stay on.

The apparent loser on Sunday was the Suzuki faction and its contender, Mr Miyazawa. The faction did less well than its rivals, while Mr Miyazawa had been publicly sceptical about holding an election, from which, in the event, the party profited hugely.

Mr Abe's position is more complex. The Fukuda faction, to which he belongs, did not do badly and he, along with Mr Takeshita, could also benefit from the generational turnover. But Mr Abe, alone of the new leaders, had formally declared his candidacy for the leadership. His best chance appeared to lie in the LDP — and Mr Nakasone — doing a lot less well than it did.

The advance of the Nakasone faction also gives a new dimension to the power balance. Nothing legitimises a politician inside the LDP so much as presiding over a big, growing faction. To go from a distant fourth to close to second, as Mr Nakasone's did on Sunday, transforms the Prime Minister from a supplicant within the LDP into a genuine power broker.

Even if he steps down in October, he would have a large say in who took over. He would immediately become, as previous prime ministers have been, a true force behind the scenes, perhaps with the option, not exercised by any of his post-war predecessors, of returning to office after an interval.

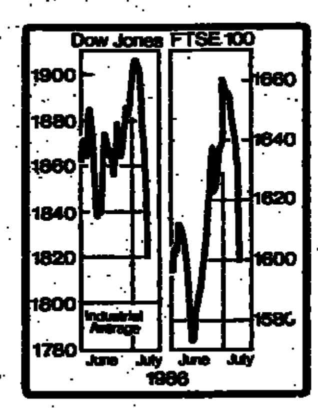
There are literally hundreds of theories as to what might happen.

A simple change in the rules, permitting, say, a third term, is close to attainable; a waiver, allowing Mr Nakasone an extension of perhaps a year, looks negotiable; with, or without, agreement as to who should then take over; splitting the LDP presidency from the prime ministership has been canvassed (though Mr Nakasone is opposed to it); a coalition between Mr Takeshita and Mr Abe could materialise; Mr Miyazawa's only hope lies in some such accommodation; somebody else could emerge from the woodwork (Mr Michio Watanabe, the Miti minister, and a Nakasone faction member, Mr Kanemaru, Mr Nikaido, or someone less well known).

Or Mr Nakasone really could, quite simply, decide that four years are enough and that the principles of equity demand that a replacement move in. The answer may not be obvious.

THE LEX COLUMN

A glimpse over the edge



London's determination to follow Wall Street's lead does not yet amount to a lemming-like plunge, although the All Share has fallen 2.6 per cent over the two day's trading this week. There seems to be more actual suspicion in the US market as to the quality and amount of earnings — what price the summer recovery? — than is yet the talk of London. And in Tokyo, yesterday morning's reverse seems to have been merely a good excuse for further euphoric buying later on; a market which has seemed for weeks to be treading air still seems to have no fear of flying.

For the Japanese market to be discounting a contraction in exporters' earnings should be no more than logic, and it is about equally strange that both Tokyo and Wall St should continue to defy the eventual workings of the exchange rate in the favour of the US. Suspicions that selling by insiders is one ingredient in Wall St's setback are a further reflection of the gloomy belief that the US domestic economy has rough times ahead. Yesterday's weakness in the bond market is an indication, moreover, of how limited the Federal Reserve's room for pump-priming is now seen to be — and how urgent.

This scepticism about the course of world interest rates had infected the London gilt-edged market even before the June money figures landed with their now-customary thud. If any market has been feeding on ample growth in the amount of retail borrowing it is London, though funds seem to have been going into residential property rather than equities, and retail spending has been faltering. The political arguments that were undermining the BT share price may well yet succeed in cheapening, or even scuppering, British Gas — which would really cane the gilt-edged market. But it may take more than two days going backwards to make institutions into genuine sellers of equities: that might need another 20 points off the All Share by Friday.

British Steel

British Steel's recovery has been little short of spectacular. Not only has it managed to retain some profit for the first time since the European steel industry fell apart in 1974-75, but yesterday's accounts are the first in memory to escape an auditors' qualification. This time last year, the auditors were understandably anxious that the corporation would not be able to replace from earnings even the £1.5bn in assets left after half a decade of sledgehammer depreciation. In fact, BSC feels that the use of steel-making capacity justifies writing up these assets by £127m.

Taken as an exceptional credit, that writeback in itself made the difference between a retained loss and the £38m reported at the bottom line yesterday. But the £150m turnround at the operating level (to a plus of £91m) can stand comparison with the results of the German steelmakers — especially as sterling was appreciating against the D-Mark throughout 1985. Although prices have adjusted to the fall in raw material costs this year, BSC should on its current margin earn enough at least to maintain its asset base, which may not be saying much, but is a nice change from the past.

Granada

After flirting with Ladbroke and refusing Rank, Granada is now trying to show what a bright future it has alone. It is clearly not enough to rely for ever on the immunity from bids underlined this spring by the Independent Broadcasting Authority. Even allowing for elimination of losses from the Belgian insurance and US rental operations, yesterday's interim figures are a convincing start. Stated pre-tax profits rose 40 per cent to £39.2m, while a much lower tax charge pushed earnings up 72 per cent and the 20 per cent dividend increase should make shareholders feel wanted.

Granada has chosen four legs for its strategy, though they are by no means of equal length. Making the best of the declining TV rental market, Granada's Rediffusion purchase is paying off while the depreciation charge is falling, and the move into retailing through the rental chain looks soundly based. After losing Comet when Dixons lost Woolworth, Granada will want to seize any other reasonably-priced retail opportunity. Plenty of cash is being lashed out in other areas too. Theme parks and hotels are to provide expansion in the leisure division, and on the business services side, mending other people's computers is apparently the growth area. At 278p, only a few pence below the Rank offer, Granada is managing to sustain a rating of about 13 times earnings purely on its own prospects.

TV-am

The rescue of TV-am, like its reliance on the personality of Roland Rat to pull in the younger viewers, is now ancient history (fully two years back into the tax losses that currently serve to suppress TV-am's tax liability). After about as rocky a start as could be imagined, the breakfast franchise has consolidated its position as the leader in a two-horse race, and could probably show profits of £9m this year if it seemed politic.

Forecast profits of at least £7.5m translate into a mid-range multiple of 8.7 at the 130p offer price, and the annualised yield of 5.2 per cent gives the shares a reasonable safety-net. Longer-term, there is still potential for TV-am to increase its revenue — though the actual number of viewers does not seem to have increased since the great leap of 1984 — while costs appear more controllable than in companies with high-budget feature programming to support.

The hyper-successful flotation of Thames may have suggested a more ambitious pricing policy. But the background of a sliding market was not conducive to heroics, and the early premium that Thames enjoyed after being so greatly oversubscribed has been shrinking too fast to be a reasonable starting point for TV-am. If the market were to freeze until the TV-am list had safely closed next Tuesday, a 10 per cent premium might still be possible — but a week seems a long time at present.

British Steel returns to profit

By Nick Garnett in London

BRITISH STEEL Corporation has returned to net profit for the first time in 10 years. The state-owned group made £38m ($58m) after taxes, interest and exceptional items in the year to March 31.

BSC had a net loss of £383m in the previous year, attributing more than half of the loss to Britain's year-long coal miners' dispute. BSC rolled up losses of almost £6bn in the previous seven years, including two years when losses exceeded £1bn.

BSC also reported yesterday an operating profit of £76m for 1985-86, its first for 10 years. Its worst operating loss was £660m in 1980-81.

Part of BSC's improved performance was a result of changes in currency rates and lower oil prices. Nevertheless, it has joined a small group of European producers making profits following the vast losses in the industry during the early 1980s. These profit makers include Hoogovens, the Dutch group, and Thyssen and Hoesch of West Germany.

BSC predicts flat demand for the foreseeable future. Along with other producers, it faces a great deal of uncertainty as EEC steel crisis measures are phased out over the next year with nothing yet formally agreed in their place. BSC hopes to improve its weak position in continental Europe where it has only a tiny market share.

BSC expects a better financial performance this year — closer to £200m profit before taxes and all other charges. But Mr Bob Scholey, chairman and chief executive, said that the group, which no longer receives state subsidies, had to make much bigger profits to pay for its investment programme. It needs to spend at least £175m a year modernising and replacing equipment to maintain its productivity.

"Financial self-sufficiency remains the next immediate objective in the corporation's progress to full viability," he said.

BSC's second-half results were better than it predicted at mid-term, when it said adverse factors including very weak prices for stainless and seamless tubes and a big refurbishment programme disrupting production would dent recovery.

Total turnover remained static at £3.74bn. Output at 14m liquid tonnes was the highest for four years

British Steel's fight back, Page 7; Lex, Page 14

Howe suffers another setback as ANC refuses to meet him

BY MICHAEL HOLMAN IN LUSAKA AND PETER RIDDELL IN LONDON

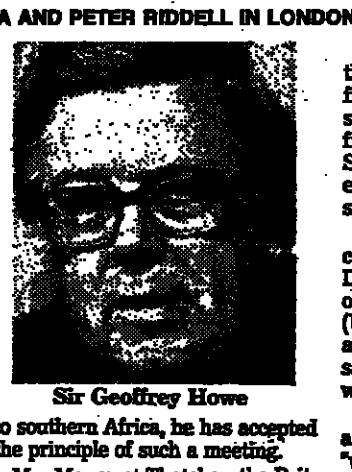
THE African National Congress (ANC), the outlawed black South African opposition movement, yesterday made clear that it would not meet Sir Geoffrey Howe, the UK Foreign Secretary, during his European Community mission to the African "frontline" states.

The ANC announcement was the second big setback that Sir Geoffrey's mission, aimed at setting up a dialogue between the Pretoria Government and South Africa's black leaders, has suffered in the past 48 hours. It followed the refusal of President P. W. Botha of South Africa to fix a meeting with the British Minister this week, which led to the postponement of Sir Geoffrey's planned visit to South Africa.

Sir Geoffrey, who had hoped to have talks with ANC representatives on the first stop of his three-day trip, flew yesterday to Lusaka, the Zambian capital, from Strasbourg where he delivered his first address to the European Parliament since Britain took over the EEC presidency on July 1.

The Minister is due to meet President Kenneth Kaunda of Zambia today before flying to Harare for talks with Mr Robert Mugabe, the Zimbabwean Prime Minister. The third and final stop on his current southern African tour will be the Mozambique capital of Maputo, where Sir Geoffrey will meet President Samora Machel.

Although President Botha has turned down the British Government's request for a meeting with Sir Geoffrey during his present trip to southern Africa, he has accepted the principle of such a meeting.



Sir Geoffrey Howe

Mrs Margaret Thatcher, the British Prime Minister, told the House of Commons yesterday that a date had now been arranged for a meeting between President Botha and Sir Geoffrey later this month. Although she did not disclose the precise dates for these talks, it is understood that they will take place in the last week of July.

Disclosing the ANC's decision not to meet Sir Geoffrey, an official, speaking on behalf of Mr Alfred Nzo, the organisation's secretary-general, said yesterday: "The whole exercise is unnecessary and a waste of time." Mr Nzo is deputy to Mr Oliver Tambo, the ANC president, who is currently in Europe.

Last month, Mr Tambo met Mrs Lynda Chalker, a junior UK Foreign Office minister, in what was Britain's first ministerial-level contact with the ANC, marking a significant shift in London's policy.

The ANC's decision not to take the opportunity to meet Sir Geoffrey for the first time reflects widespread criticism of his mission, both from many black leaders within South Africa and from African governments, including his host in Lusaka, Dr Kaunda.

Bishop Desmond Tutu, the Anglican Bishop of Johannesburg, and Dr Allan Boesak, a senior member of the United Democratic Front (UDF), South Africa's largest anti-apartheid coalition, have already said they will not meet Sir Geoffrey when he visits the Republic.

Mr Nzo was reported yesterday as saying that to meet Sir Geoffrey "would be a betrayal of our brothers and sisters in South Africa."

Mrs Thatcher yesterday outspokenly distanced herself from the majority opinion of Commonwealth leaders over South Africa. In a series of interviews with the Canadian press and broadcasters ahead of her weekend trip to Vancouver and Montreal, Mrs Thatcher regretted that South Africa had left the Commonwealth 25 years ago. If it had remained in, she said, other countries might have had more influence and apartheid would have broken down more quickly.

She also said, in marked contrast to the tone of the analysis of the Commonwealth Eminent Persons' Group, that "considerable steps in the right direction" had been taken by South Africa in the past 18 months.

Mine unrest spreads, Page 3; Commodities, Page 26

UK money supply hits interest rate hopes

By George Graham in London

THE CONTINUED rapid growth in the UK money supply last month yesterday dealt a blow to expectations of lower interest rates.

Sterling M3, the measure of broad money supply which was formerly one of the Government's main financial targets, grew by an estimated 1½ per cent in the June banking month.

This brought the annual rate of monetary growth down slightly to 18¾ per cent, since last year's money supply was boosted by the sale of shares in Abbey Life, the UK insurance company. Growth remains outside the Government's sterling M3 target range of 11 to 15 per cent.

The money supply figures are not expected to lead the Government to relax its cautious approach to lower interest rates, and London's financial markets reacted to the news with disappointment. Government gilt-edged bonds dropped by up to 1¾ points, while money market interest rates rose slightly.

Bank lending rose in June by £2.1bn ($3.2bn), the Bank of England said yesterday. This was somewhat more than the average of recent months, giving rise to some concern over the build-up of potentially inflationary liquidity.

Stock market economists had expected lower bank lending last month as company borrowing tended to be concentrated at the end of the 1985-86 tax year before the ending of capital allowances. But while company borrowing fell, separate figures from the London and Scottish clearing banks show that lending to the personal sector, especially for house purchases, rose strongly.

Preparations for Big Bang, the change in the London securities market due to take place in October, may have influenced monetary growth. The clearing banks' non-gilt-edged investments rose by £474m, largely as a result of injections of capital into their broking and securities subsidiaries.

While financial markets now place little reliance on the official monetary targets as an indicator of government interest rate policy, the Bank of England has recently made clear its caution over the build-up of liquidity in both the personal and company sectors. This liquidity could, it fears, help to finance higher pay settlements or sweep into additional inflationary consumer spending.

Although sterling M3 is rising rapidly, the authorities feel that other indicators are giving a different signal. Inflation is low and M0, the narrow measure of money consisting mainly of notes and coins, has grown in the last 12 months by 3¾ per cent, at the lower end of its target range. In addition, real interest rates are high and the exchange rate remains resilient.

With unit labour costs rising faster in the UK than in other countries, however, and with broader measures such as the index of home costs or gross domestic product deflator showing a higher rate of inflation than the retail price index, the authorities remain unwilling to relax their monetary stance.

The money supply figures provided little comfort to sterling, which eased despite firmer UK interest rates. It ended at DM 3.3375, a loss of 1¾ pfennig on the day. Against the dollar it fell 0.4 cents to $1.5305.

Lex, Page 14; Money markets, Page 27

Court rejects claim over UK nationalisation

Continued from Page 1

inadequate." They said the way their holdings were valued by reference to a six-month period at the end of 1973 and start of 1974 was unfair.

It constituted a violation of Article One of Protocol One of the European Convention of Human Rights, effectively a guarantee of individual property rights, they complained. The Government has argued that legislation to increase compensation would be unfair to those who sold shares on the original terms.

Rejecting arguments that payments had been inadequate, the court said while the taking of property without compensation "reasonably related to its value" would normally constitute a violation of Article One, the state had a wide margin of discretion in deciding what was in the wider public and national interest.

It rejected arguments that inflation and the companies' performance should have been taken into account between the compensation reference period and "vesting day" in 1977, when the businesses passed into the public sector. Nor was it impressed by suggestions that large or controlling shareholders merited a special premium payment.

Reform 'stifled by central controls'

Continued from Page 1

with the old administrative controls. These include applying quotas to investment, restricting bank credits, managing wage funds through special accounts and rationing power and raw materials in short supply.

The Shanghai publications said these measures were causing problems: They were intensifying friction between factory managers and the bureaucracy, which would "endanger the achievements of reform;

- They did not solve the problem of too high investment and an overheated economy;
- They would "extend indefinitely the stalemate" between managers and bureaucrats who attempted to control them. This would mean a constant flow of new regulations,

The Economic Studies Weekly adds further "principal and widespread" problems: Industrial production was fluctuating wildly, demand had diminished so that factories were without sufficient orders, equipment was operating below capacity, circulating capital was in short supply, and collective (that is, semi-private) enterprises were suffering more than state enterprises.

As practical solutions for present problems, the Economic Studies Weekly report proposes that the leadership give more freedom to the factories, increase the currency supply, improve the bonus tax system to raise incentives, allow banks to issue promissory notes to solve debt chains, reinvigorate small collectives and protect the rights of managers, particularly by giving them clearly-defined financial powers and funds.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	25	77	Malta	S	28	82	Rhodes	S	26	79
Algiers	—	—	—	Edinburgh	C	15	59	Manchester	C	15	59	Rio de J'o	C	23	73
Amsterdam	S	18	64	Faro	S	22	72	Manila	R	29	84	Rome	S	28	82
Athens	S	29	84	Florence	F	28	82	Melbourne	—	—	—	Salzburg	C	17	63
Bahrain	S	38	100	Frankfurt	F	16	61	Mexico City	C	23	73	San Francisco	C	19	66
Bangkok	S	35	95	Funchal	C	23	73	Miami	C	30	86	Seoul	F	31	88
Barcelona	S	26	79	Geneva	F	22	72	Milan	F	27	81	Singapore	F	31	88
Beirut	—	—	—	Gibraltar	F	23	73	Montreal	C	30	86	Stockholm	F	19	66
Belfast	F	15	59	Glasgow	F	16	61	Moscow	T	23	73	Strasbourg	C	18	64
Belgrade	C	21	70	Guernsey	F	16	61	Munich	R	12	54	Sydney	R	18	64
Berlin	F	18	64	Helsinki	S	21	70	Nairobi	F	22	72	Taipei	S	34	93
Biarritz	S	21	70	H. Kong	T	28	82	Naples	S	30	86	Tangier	—	—	—
Bombay	C	29	84	Innsbruck	C	15	59	Nassau	S	32	90	Tel Aviv	S	29	84
Bordeaux	C	21	70	Inverness	F	15	59	New Delhi	F	28	82	Tenerife	S	26	79
Brussels	F	16	61	Islamabad	S	32	90	New York	S	37	99	Tokyo	C	25	77
Budapest	C	24	75	Istanbul	S	29	84	Nice	S	27	81	Toronto	R	30	86
B. Aires	F	17	63	Jakarta	S	30	86	Nicosia	S	37	99	Tunis	S	31	88
Cairo	S	32	90	Jersey	C	17	63	Oporto	C	18	64	Valencia	—	—	—
Cape Town	F	18	64	Jo'burg	S	15	59	Oslo	T	18	64	Venice	F	25	77
Caracas	S	27	81	Lima	C	18	64	Paris	C	17	63	Vienna	C	20	68
Casablanca	—	—	—	Lisbon	S	26	79	Peking	C	27	81	Warsaw	C	19	66
Chicago	C	34	93	London	C	19	66	Prague	R	13	55	Washington	S	29	84
Cologne	R	15	59	Los Angeles	C	27	81	Reykjavik	C	10	50	Zurich	C	15	59
Copenhagen	F	17	63	Luxembourg	C	15	59								
Corfu	F	26	79	Madrid	S	34	93								

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US Steel opts for the X factor

Continued from Page 1

occupied the position of America's leading industrialist. He lost this title in the 1950s to the heads of the US motor industry and by the mid-1970s US Steel was toppled from its position as the world's leading steel maker by the Japanese.

Last year, steel accounted for only a third of US Steel's $19.3bn in sales. Like other US steelmakers, it is not making any money on steel. Several analysts believe that yesterday's move will make it easier for the company eventually to break its traditional ties with the steel industry or at least to dilute them to the extent that they do not threaten the future financial viability of the company.

هكذا من الأصل

Armco warns of $150m second-quarter charge

BY PAUL TAYLOR IN NEW YORK

ARMCO, the troubled US steel group, said yesterday that it will take charges totalling $150m in the second quarter to cover the cost of rationalising outdated and inefficient facilities and disposing of several non-strategic subsidiaries.

The charge is the latest in a series of restructuring measures by Armco, which reported a $62.9m net loss in the first quarter after taking a $40m charge for rationalisation and divestment in its fabricated products and services business.

The latest charge includes $98m to cover the oilfield equipment business (last month Armco announced plans to combine its loss-making oilfield supply and service operations with those of US Steel) together with a further $42m related to fabricated products and services and $10m to cover the costs of closing various steel facilities.

The Morristown, New Jersey-based group has undertaken a massive reduction in its steel and other operations in recent years in an attempt to counter its losses. The oilfield equipment charge will help cover costs associated with further consolidation, including the recently announced closure of its Los Nietos, California production equipment plant. Production equipment will still be made at its more modern facility in San Marcos, Texas.

Armco's National Supply subsidiary, the largest oilfield equipment and services company in the US, has been hard hit by the dramatic cutback in oil exploration following the slump in prices. The joint venture agreement with US Steel's Oilwell Division will create a new industry giant with almost $1bn in annual sales.

The fabricated products and services charge relates mainly to further disposals. The company has already announced plans to sell its Wilbur Smith & Associates construction products division and yesterday announced the sale of Armco Atlantic to Southwestern General. Armco added that other units expected to be sold include the European and Asia Pacific divisions.

Armco Atlantic produces pre-fabricated metal buildings for commercial and industrial applications, has manufacturing facilities in Ohio, Kentucky, California, Georgia, Missouri and Texas, employs 964 people and had sales last year of more than $130m. The buyer, Colorado-based Southwestern General, is a holding group with 15 subsidiaries and sales last year of more than $400m in three basic industries – building materials and construction, agri-business products, and industrial-commercial products.

Mr Robert Boni, Armco's chairman and chief executive, said "selling the construction products division, Armco Atlantic and Wilbur Smith will generate about $100m in cash. We expect to receive another $50m when the other units in that segment are sold."

In the second quarter last year Armco reported net earnings of $18.5m on sales of $994.2m. Its 1986 second-quarter results will be released later this month.

Zellerbach distribution unit sold for $250m

By Our Financial Staff

JAMES RIVER, the Virginia-based paper products group, has agreed in principle to sell its Zellerbach Distribution Group to Mead, another big US forest products concern, for $250m in cash.

The unit, which had sales last year of $820m and distributes printing, packaging and industrial papers, was acquired by James River in May as part of the purchase of Crown Zellerbach's paper operations.

James River said yesterday that distribution did not fit its long-term strategies and that the resources currently invested there could best be redirected to serve its existing businesses.

The agreement provides for continued distribution of Crown Zellerbach products after the acquisition, which is planned to close as soon as possible.

James River is the largest US producer of speciality papers, and derived about 30 per cent of its sales in 1984/85 from sanitary paper products.

Du Pont buys Baxter critical care drug unit

BY WILLIAM HALL IN NEW YORK

BAXTER TRAVENOL, the US health care giant which is in the midst of digesting last year's $3.8bn acquisition of American Hospital Supply, has sold its American Critical Care drug operation to Du Pont for $425m.

American Critical Care, which was put up for sale following the takeover, manufactures and distributes critical-care and cardiovascular drugs for use in hospital emergency and surgery departments. Its products include Intropin for treating shock, Bretyol, used to counteract cardiac arrest, and Tridil, an intravenous nitroglycerin used for vasodilation.

However, Wall Street's main interest in the company has centred on its latest drug, Brevibloc, which is aimed at regulating erratic heart rhythms. The new drug is expected to be introduced later this year and under the terms of the agreement Baxter Travenol will receive – in addition to the $425m in cash – extra payments based on the future sales of certain patented drugs currently under development by American Critical Care.

Baxter Travenol said yesterday that it had received a number of offers to purchase its Flint laboratories unit, which was also put up for sale after last year's takeover. Flint manufacturers and markets drugs to physicians nationwide. Synthroid, its best known product, is the market leader for treating thyroid deficiencies.

Baxter said the proceeds of the divestitures would be used to repay debt principally incurred with the merger of American Hospital Supply, for working capital, capital spending and general corporate purposes.

● Mexicare Health Plans, the California-based health maintenance organisation (HMO) company, is to acquire its smaller rival HealthCare USA in a $67m agreed deal that will create the largest investor-owned group in one of the fastest-growing sectors in US health care, writes **our Financial Staff.**

Health maintenance organisations offer employers health care coverage for their employees at a fixed fee and then arrange block bookings with hospital operators. The schemes are attractive to employers who have been hit by rapidly rising health care costs.

The combined firm will have annual revenues of about $1bn and more than 1m HMO members. The terms of the deal are $13.50 per share, compared with a share price for HealthCare of $12⅞ at midsession yesterday, up 75 cents from Monday's close. In contrast, Maxicare's shares were down $1¼ at $24¾.

Mr Fred Wasserman, Maxicare's chairman, said the deal gave the company access to new markets, particularly Michigan and parts of Los Angeles. Most of Maxicare's clients were Fortune 500 companies, while HealthCare dealt more with smaller companies.

There would also be economies of scale. Both companies have been expanding fast in recent years but Maxicare has a better profit record, which Mr Wasserman attributed partly to its centralised management systems.

Analysts are predicting a shakeout in the industry in the next few years and Mr Wasserman said it was already going through a consolidation phase.

The new company will have about 2,700 employees. Maxicare had sales last year of $528.8m, and net profits of $20.4m.

Auditors agree $50m ESM payout

By Our New York Staff

GRANT THORNTON, the accounting firm that audited ESM Government Securities, the US bond dealer that collapsed 16 months ago, has agreed to pay 17 local authorities $50m to settle suits arising from the affair.

The 17 municipalities had losses totalling $105m when ESM collapsed owing customers about $320m. The failure sent ripples through the US financial markets and triggered a run on privately insured savings banks in Ohio.

Grant Thornton said it agreed to the payment to settle claims arising from the collapse of ESM and "ESM's corruption of a former partner of the firm." The firm, which is believed to have at least $175m in insurance coverage, added that all its insurers agreed to the settlement.

Mr Jose Gomex, former managing partner of Grant's south Florida offices, pleaded guilty following ESM's collapse to conspiracy and fraud charges, admitting that he received payments from ESM officers in exchange for certifying falsified financial statements which investigators say helped conceal the bond dealer's insolvency for years.

Grant Thornton said the settlement covers the suits filed by the 17 local authorities which will be dropped and added that Mr Thomas Tew, bankruptcy trustee of ESM, will reduce his claims to the extent that they were duplicated by the municipal suits.

Grant Thornton, which has been in turmoil since the ESM scandal broke, added that the only remaining litigation of substantial size is that related to Home State Savings bank in Ohio and American Savings and Loan Association in Florida – both formerly controlled by Mr Marvin L. Warner. Grant Thornton is "vigorously defending" itself against these claims.

US publisher rejects bid from Maxwell

By Our New York Staff

SCIENTIFIC American, the US magazine publisher, has rejected a $61m takeover offer from Mr Robert Maxwell, the British printing magnate.

Mr Gerard Piel, chairman of Scientific American, said his board had considered Mr Maxwell's surprise offer, and reaffirmed the decision to accept an earlier bid of $52.6m from Verlagsgruppe Georg von Holtzbrinck, West Germany's second biggest publishing group. Holtzbrinck was one of more than half a dozen companies which submitted sealed bids for Scientific American last month.

Norsk Hydro moves to block Elf bid for Saga

BY FLEMING DAHL IN OSLO

NORSK HYDRO, the Norwegian energy and industrial group, is trying to prevent a possible merger between Saga Petroleum, the Norwegian privately owned oil company, and Elf Aquitaine Norway, a subsidiary of France's largest energy and industrial group.

Yesterday Norsk Hydro proposed instead that it become a large shareholder in Saga Petroleum

Talks between Saga and Elf about a merger have been going on for several weeks. Saga has been badly hit by the oil price plunge. The company is looking forward to returns in a couple of years from large interests in Norwegian oil and gas fields currently being developed. In the meantime it is likely to welcome a merger with Elf, which already has considerable revenues from Norwegian fields.

Elf, for its part, is considering a merger on the assumption that fields currently providing revenue will be running dry during the early 1990s. A merger with Saga could help guarantee a prolonged life for the French group in Norway.

Norsk Hydro has suggested that Saga instead make a share issue of NKr 500m ($66m), with Norsk Hydro underwriting 80 per cent.

Saga and Elf have reacted by saying that they intend to continue their merger talks until July 15.

Canadian paper output growing

By Robert Gibbens in Montreal

CANADA's newsprint capacity will grow by nearly 3 per cent to 10.2m tonnes by the end of 1988, according to the Canadian Pulp and Paper Association, but printing and writing papers will rise by 31 per cent to almost 3m tonnes and groundwood specialties by 28.4 per cent to 1.3m tonnes. The base year is 1985.

These major shifts are caused by the addition of new fine paper machines in Quebec and coated paper machines in Quebec and New Brunswick during the forecast period, while some Canadian newsprint machines will be converted to higher-grade products.

Northwest agrees deal with TWA

BY OUR NEW YORK STAFF

TRANS WORLD AIRLINES (TWA), the financially troubled transatlantic airline, has agreed to sell a half share in its $400m computerised reservations system, known as Pars, to Northwest Airlines.

Mr Carl Icahn, the Wall Street raider who acquired contol of TWA after a bitter takeover battle last year, said that the agreement with Northwest was "a major step toward assuring our airline's profitable, efficient future growth."

Northwest refused to disclose how much it was paying for its 50 per cent interest in Pars, the fourth biggest computerised reservation system in the US, as well as 50 per cent of the Pars automated reservations system that serves subscribing travel agents.

However, Mr Icahn has said in the past that he thought the Pars system was worth between $350m and $400m. It is one of the more profitable parts of TWA and the cash injection from Northwest should bolster TWA's resources, which have been hit by heavy losses on some of the carrier's main overseas routes.

"Among the many benefits we expect are cost economies of scale for both airlines' computer services, more resources for the further expansion and enhancement of Pars, and an augmented sales force to market our product," said Mr Icahn.

The agreement calls for the creation of two new subsidiaries out of the present Pars system – a services company and a marketing company. TWA and Northwest will be joint owners of both subsidiaries, but will offer shares in the marketing company to other airlines in the interest of making it an industry-wide system.

INTL. COMPANIES and FINANCE

Siemens sees flat earnings this year

By Jonathan Carr in Rome

SIEMENS, West Germany's leading electricals concern, expects to hold net profit this year at around last year's level of DM 1.5bn ($687m) despite a likely fall in sales of some 10 per cent.

As a result the group may achieve a profit-to-sales ratio of 3 per cent, a level it has not reached for more than two decades, after one of 2.8 per cent in 1984-85.

The company is thus expected at least to hold its 24 per cent dividend—the level to which it was raised for last year after a 20 per cent payout for 1983-84.

Mr Karlheinz Kaske, chief executive, said in Rome that two major factors — currency changes and a sharp fluctuation in the billing of power station business—had depressed sales and orders this year.

Sales in the eight months ended May, 1986, dropped by 20 per cent to DM 29.5bn, based on a fall of 33 per cent to DM 14bn at home and of 1 per cent to DM 15.5bn abroad.

But Mr Kaske noted that these results were being compared with a period in 1984-85 when Kraftwerk Union (KWU), the Siemens power station building subsidiary, billed a cluster of major deals.

Excluding KWU, sales so far this year rose 1 per cent overall and by 9 per cent at home. Mr Kaske said that Siemens had boosted sales by an average of 11 per cent between 1980 and 1985, and expected to return to a similar growth rate next year.

With increasingly buoyant demand evident, Siemens expected to end this year with roughly the same orders intake (DM 51.8bn) which it achieved in 1984-85.

Mr Kaske thought KWU had a chance to improve its already strong position on the world atomic power station market—above all because of its good reputation for reactor safety.

But he warned that this could only happen if the West German market itself were not blocked as a result of fears aroused by the Chernobyl accident in the Soviet Union.

He pointed out that West Germany had 19 nuclear power stations operational and five more under construction. Further reactors would only be needed in the second half of the 1990s, but planning had to start right away because of the long lead times needed for official approval and construction.

Mr Kaske also said that spending on research and development this year would total about DM 5.5bn (more than 11 per cent of sales) after DM 4.8bn in 1984-85. Spending on the "Mega project" (development and manufacture of memory chips with capacities of one and four megabits) would total about DM 600m.

Suitors start putting calls in to CGCT

JONATHAN CARR and DAVID MARSH on the possibility of major new partners—from Canada, West Germany or Sweden—joining CGCT, France's second largest telephone switchgear producer

SIEMENS, West Germany's leading electricals concern, is interested in acquiring CGCT of France to win the access it has long sought to the French telecommunications market for its EWSD digital switching system.

Mr Karlheinz Kaske, chief executive, said Siemens had talks recently with the French Government about a possible takeover of CGCT, which is state-controlled, but there had been no firm result so far.

Mr Kaske stressed that in the event of an acquisition, Siemens was ready to produce the EWSD system in France (thus helping to preserve jobs) alone with the relevant software and sales organisation.

Siemens has for months been known to have an interest in co-operation with CGCT, the second French telecommunications company with around 16 per cent of the domestic market.

But this interest seems to have intensified in view of the plan for a joint telecommunications venture between CGE, the state-owned concern which is the French market leader, and ITT of the US.

If the scheme is realised, the new group would have access to the German market through Standard Elektrik Lorenz (SEL), the Stuttgart-based ITT subsidiary. SEL with its System 12 switching system, and Siemens with its EWSD, are key rivals each with more than 40 per cent of the German telecommunications market.

Mr Kaske urged that in view of this Siemens be allowed to enter the French market through a deal on CGCT.

Mr Kaske noted that so far more than three dozen telecommunications administrations in over a score of countries had decided in favour of the EWSD system, and 6.2m line units had been ordered.

But he added this success had been achieved largely outside Europe. The telecommunications market in the EEC—and hence including France—had been mainly divided up on national lines.

Siemens officials said they saw the proposed new CGE-ITT group not so much as a drive for European unity in telecommunications as a battle for market share.

A takeover of CGCT by Siemens could, it is thought, itself improve prospects for the CGE-ITT venture. The French Government is believed to be reluctant to approve the latter because of concern for CGCT. Siemens' backing for CGCT could, it is argued, even the competitive balance.

CGCT was nationalised by the previous Socialist government in 1982 in a deal which at the time raised the ire of Mr Rand Araskog, the ITT chairman. It is still making large losses and has cost France considerable sums to keep going over the last few years.

CGCT last year made a net group loss of FFr 200m ($28.6m), down from FFr 99m in 1984, on sales of FFr 2.77bn, up slightly from FFr 2.72bn in 1984.

The company makes the MT 20 digital telephone exchanges for the Direction Generale des Telecommunications, the state authority. These exchanges are manufactured under licence from Thomson, whose telephone activities have now been merged with those of the Compagnie Generale d'Electricite group.

The DGT has been seeking a second supplier for the French telecommunications market for several years, since CGE's present monopoly position puts it at a considerable disadvantage over pricing policy.

CGE itself reached agreement with American Telephone & Telegraph (AT&T) last year under which AT&T would link up with CGCT to provide digital switches for the French market.

In return, the US giant would give CGE help in the French company's attempts to break into the US digital switch sector.

Olivetti floppy disk factory

By Alan Friedman in Milan

OLIVETTI, the Italian office automation group, announced plans yesterday to invest L20bn ($13.3m) in a new and automated factory for the design and manufacture of floppy disks. The factory, to be built in the Val d'Aosta region of North Western Italy, will supply Olivetti plants which produce personal computers and other office products.

The Olivetti subsidiary which will control the factory — Balteadisk—is itself going to be spun-off and floated on the Milan stock market next year. The company will be quoted as Baltea. Its ownership at present is 65 per cent Olivetti and 35 per cent the regional government of Val d'Aosta.

Casio Computer net profits plunge 22%

By Yoko Shibata in Tokyo

CASIO COMPUTER, Japan's largest maker of desktop calculators, suffered a 22.4 per cent plunge in consolidated net profits to Y7.05bn ($44m) in the year to March 1986.

Consolidated pre-tax profits were down 12.4 per cent to Y18.1bn, but 47 per cent higher than those of the parent company. Despite brisk volume sales by overseas subsidiaries, their earnings were eroded by the yen's sharp appreciation.

Consolidated sales improved by 11.4 per cent to Y260.65bn. Domestic sales surged by 17 per cent to account for 30 per cent of the total, thanks to steady expansion of Japanese-language word processors and pocket liquid crystal television sets. Overseas sales improved by 9 per cent to account for Y181.5bn of total turnover.

Operating profits fell by 36.3 per cent to Y12.5bn, affected by the higher cost to sales ratio and higher expenditure resulting from the setting up of new European sales subsidiaries.

Since Casio adopted the consolidated accounting formula in accordance with the US Securities and Exchange Commission formula — which appraises foreign currency-denominated liabilities at the end of each financial year—its dollar denominated convertible debenture and dollar warrant bonds generated exchange gains, which trimmed the drop in pre-tax profits.

For the current year, Casio sees its export divisions continuing to be exposed to the ongoing strength of the yen. It has raised overseas unit sales prices, but the move will take time to show results.

● Hattori Seiko, which markets Seiko brand watches, saw consolidated net earnings in the year ended March rise by 34.5 per cent to Y3.72bn ($23m). Sales, however, fell 7.1 per cent to Y465.81bn. Per share net Y4.52bn to Y3.01bn in fiscal 1985.

Seiko forecast a fall in sales in the current year to Y450bn, with a decline in net income to Y1.7bn.

Bosch forecasts modest sales growth this year

BY JONATHAN CARR IN STUTTGART

ROBERT BOSCH, the West German electronics and vehicle components group, expects to raise world group sales by 3 per cent to DM 22bn ($10.09bn) this year, with net profit roughly equal to the 1985 figure.

Mr Marcus Bierich, the managing board chairman, said exchange rate changes — especially the fall of the US dollar—depressed revenue in D-Mark terms and meant slimmer profit margins on foreign business.

At the same time, despite the oil price cut and tax handouts at home, domestic demand had not so far strengthened by as much as had been hoped.

Mr Bierich stressed, however, that sales of vehicle components were buoyant — especially of fuel injection systems and of the ABS anti-lock devices which prevent skids when braking. Bosch was also intensifying its activities in communications technology.

Mr Bierich said this year fixed asset investment would rise by 7.7 per cent to a record DM 1.7bn. Bosch's total "investment in the future"—comprising spending on fixed assets, research and development and training—would increase to 14.8 per cent of turnover after a 13.8 per cent share last year.

The distorting influence of exchange rate and price changes is underlined by the sales figures for the first five months of this year. In nominal terms revenue was up by just 2.9 per cent to DM 9bn, while in real terms (after excluding exchange rate and price factors) the rise was nearly 8 per cent.

Revenue from Bosch's foreign companies fell by 5 per cent in nominal terms in January-May, but rose by 10 per cent if expressed in local currency terms. The nominal fall means that the share of foreign sales in overall group revenue dropped to 50.5 per cent in the first five months compared with 53.2 per cent in the same period last year.

Business was particularly buoyant in the US with sales up in the first five months in real terms by 15 per cent. Bosch expects its US sales to total some $880m this year, after $705m last year and $576m in 1984.

Bosch has acquired a new plant in Anderson, South Carolina, in addition to its existing one in Charleston. It plans to invest around DM 150m to extend both plants in the coming few years, to help meet the growing US demand for its products—especially vehicle equipment.

The 1985 figures, now released, show net profit down by DM 44m to DM 402m on revenue up by (a nominal) 15.5 per cent to DM 21.2bn.

The cut in net profit was owing to a sharp rise (by DM 680m or 11.4 per cent) in reserves to provide for increased risks on foreign business. Earnings (before risk provision) were more buoyant than in 1984.

Strength of yen prompts Sanyo Electric merger

BY OUR TOKYO STAFF

SANYO ELECTRIC, the big Japanese consumer electronics group, has announced a full merger with Tokyo Sanyo Electric, its affiliated company, as a defensive move to reduce the negative effects of the strong appreciation of the yen.

Tokyo Sanyo, in which Sanyo has a 20 per cent stake, is a producer of semiconductors, video recorders, audio equipment and air conditioners. Its institutional shareholders are largely the same group, led by Sumitomo Bank, as those which stand behind Sanyo, whose own position in consumer electronic and electrical markets is especially strong in refrigerators and audio equipment.

The merger of the two companies, which is due to come into effect on December 1, is expected to show results in more efficient production and marketing.

Meanwhile, Sanyo Electric has reported a 65 per cent drop in parent company pre-tax profits during the six months to May this year, to Y11.3bn ($71m) from Y32.3bn. Net profits, at Y7.5bn, were almost halved from Y14.6bn in the same period last year, while profits per share were down by a comparable proportion to Y6.61 from Y12.94. The interim dividend is nonetheless being maintained at Y4 a share.

Sales fell 17.2 per cent to Y429.4bn from Y518.8bn, but within this total exports fell almost twice as far, down 31.5 per cent.

Sanyo is forecasting little improvement in business conditions during the remainder of the current year to November.

Initial setback for Kvaerner

By Our Oslo Correspondent

KVAERNER, THE Norwegian industrial group engaged in mechanical and consultancy engineering, shipbuilding, shipping trades and oil, reports a pre-tax profit of NKr 61m ($8m), down from NKr 80m a year earlier.

The group expects the year's result to be satisfactory but gave no figures. Last year's pre-tax result was NKr 363m.

Turnover in January-April was NKr 1.1bn, down from NKr 1.6bn. Turnover for the whole of 1986 is expected to be close to NKr 5bn. Last year's turnover was NKr 5.4bn.

Group order intakes in the first four months totalled NKr 1.3bn down from NKr 1.9bn.

● Bergesen, the shipping and industrial group, saw gross operating income falling to NKr 596.6m in the first four months of this year, from NKr 617.4m in the same period last year.

INTERNATIONAL COMPANIES and FINANCE

Allied-Lyons boost for £ paper

BY ALEXANDER NICOLL

ALLIED-LYONS, the UK food and drink group, has made a splash with its first entry into the sterling commercial paper market. The issue has substantially expanded—perhaps even doubled—the total amount of paper actually issued since the market opened in May, with a £60m issue of two-month paper at fine rates.

Shearson Lehman Brothers, heading the programme with Baring Brothers, said the weighted-average interest rate obtained by Allied-Lyons was about one basis point below London interbank bid rates (Libid).

The size of the issue is a sign that the fledgling market is starting to win business from better-established sources of funds such as the bankers acceptances market. BOC, the UK industrial gases group, also made a small issue yesterday. These two followed earlier launches by Redland, P&O and Hawley Group, and PHH of the US.

After the initial intensely competitive rush by banks to sign up corporate customers for dealership programmes, treasurers have been predictably cautious about issuing, partly because of legal uncertainties still surrounding the paper.

The competition remains bruising in what bankers hope will eventually be a major capital source along the lines of the $300bn US market. Some bankers attributed the cheapness of the Allied-Lyons funds to the aggressive bidding by banks for its paper, and forecast that, despite the company's good name, such low rates for a corporate borrower would not be sustainable.

Banks which have been attempting to develop an investor base are likely to have bid strongly in order to have paper available on their books to sell.

The Allied-Lyons issue was made under a $500m multi-option facility signed last month, and employed the tender panel mechanism instead of the dealership method which applies to most sterling CP programmes. Of 20 or so banks making bids totalling £270m, about a quarter were awarded paper.

Mr Vernon Cull, Allied-Lyons treasurer, said he was pleased with the issue and with the response of the banks, and that the company would probably tap the new market again.

BOC, the UK industrial gases group, put its toe into the water yesterday. Mr John Sheldrick, deputy treasurer, said it made a small issue of one-month paper in order to launch the programme, although he noted that rates in the bankers' acceptances market were quite favourable at the time. BOC swapped the proceeds into dollars and obtained sub-Libid funding as a result.

Corporate treasurers have been closely watching the relationship between rates for acceptances and commercial paper, and finding that it is quite volatile, with the better market to tap varying from day to day. It has generally been more attractive to use bankers acceptances for shorter maturities, but commercial paper has appeared cheaper at three or six months.

Bankers generally expect commercial paper rates for good-quality UK corporate names to settle a few basis points above Libid as the market establishes itself and dealers become more concerned about making profits and less obsessed with building market share.

Those who support the dealership system as opposed to tender panels, also believe that the former method achieves more effective placement with end-investors and thus more representative and sustainable interest rate margins.

Banco Itau breaks ice with paper facility

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BANCO ITAU of Brazil is arranging a $50m, three-year commercial paper facility in the Euromarkets, making it the first Brazilian bank to tap the international capital market since the debt crisis broke in 1982.

The facility will effectively allow Banco Itau to extend the maturity of existing interbank credit lines in the money market to three years, from one at present, saving the cumbersome and uncertain business of re-negotiating them each year.

Banco Itau said yesterday the facility, which is being arranged by Bankers Trust, marked a rejigging of existing credit lines under Brazil's debt rescheduling agreements rather than a fresh money commitment. But an official said the bank hoped that the operation would help develop new sources of funds for Brazilian banks.

Under the deal Bankers Trust is assembling a club of banks to underwrite issues of commercial paper in the US and in the Euromarket for a maximum yield of ⅛ per cent over the London interbank offered rate (Libor). Participating banks may transfer their credit lines committed to Banco Itau under Brazil's rescheduling to an underwriting role in the facility.

Underwriters will receive an annual commitment fee of ⅛ per cent for backing up issues of commercial paper, the first to be issued by an Brazilian bank.

Given Brazil's continuing need to reschedule its foreign debt, a bank like Itau would not normally be expected to tap the commercial paper market in its own right. This will be made possible through a letter of credit granted by a top-rated international bank, expected to be Fuji Bank, to back up the paper issues.

This will effectively give the paper the top A1 plus/minus P1 credit standing in the commercial paper market and allow it to be sold at favourable rates, although the associated fees may not result in much cost savings for Itau.

Similar facilities have been arranged by Mexican banks since the debt crisis broke, but these are no longer possible since fresh economic and political problems flared up in that country and attention has now switched to Brazil.

Banco Itau said yesterday the facility was already oversubscribed and could be increased. This is despite the continuing uncertainty over the Brazilian Government's willingness to stand behind the foreign liabilities of three private sector banks that failed last year owing foreign creditors some $450m.

Green light for BHP-Elders cross-holdings

THE Australian National Companies and Securities Commission, the country's watchdog over financial market activities, has reluctantly given a green light to the A$3bn (US$1.9bn) defensive cross-shareholding structure put into place by Broken Hill Proprietary and Elders-IXL in early April, our Financial Staff writes.

Mr Henry Bosch, the NCSC chairman, said a declaration of unacceptable conduct on the part of the two large companies "would not be appropriate." But he hinted that when the commission eventually presents its full report on the episode, which was the object of extensive and widely publicised hearings earlier this year, it will recommend that the relevant section of the takeover code should be amended.

"The Commission's concerns about particular corporate strategies and their more general policy implications will be considered together with their consequences for law reform," said Mr Bosch.

In the effective exchange of holdings, Elders spent A$1.7bn to buy 18.5 per cent of BHP while BHP paid A$1.22bn for preference stock and bonds convertible into 20 per cent of Elders. The moves formed part of BHP's efforts to beat off the unwelcome attentions of Mr Robert Holmes à Court's Bell group.

FFr 1bn placement by Lafarge Coppee

By David Marsh in Paris

LAFARGE COPPEE, the big French cement group, is raising FFr 1.04bn ($148m) through an international share placement which marks the first foray of a French company on to the Euro-equity market.

The proceeds will help the company's efforts to develop its activities in France and abroad without compromising its plans for a further reduction in overall indebtedness up to end 1987.

The issue will be made through a syndicate led by Credit Commercial de France, which has managed a number of innovative capital market operations for the group in recent years.

Renouncing

Existing shareholders will renounce their rights to subscribe preferentially. A total of 800,000 new shares will be issued at a price of FFr 1,300 each, slightly below the company's Paris share price yesterday of FFr 1,328.

The company is also launching a one-for-10 scrip issue, to be distributed to shareholders who subscribe to the Euro-equity issue. This will create about 1m newshares.

The company said last night that more than 75 per cent of the FFr 1.04bn issue will be sold outside France. Although the company is aiming for maximum flexibility, CCF has been planning that as much as 85 per cent of the shares could be placed abroad.

This will be through a syndicate consisting of Klienwort Benson for the UK market, Deutsche Bank for West Germany, Swiss Bank Corporation for the Swiss market, Kredietbank for Belgium and Nikko Securities for Japan. Merrill Lynch is placing a further international tranche in other countries outside the US and Canada.

Injection

The issue was launched yesterday and should be completed by the end of the week. The proportion of the placing destined for non-French investors is easily the highest for any French share issue, even though French companies' equity funding operations over the last two years have been including increasingly foreign selling syndicates.

Lafarge has been making a string of acquisitions in the biotechnology sector over the last few years, and earlier this summer finalised the purchase of a 36.5 per cent stake, worth $33m, in the new holding company which owns National Gypsum, the second largest US producer of plasterboard.

The company will be using the injection of new capital partly to refinance the National Gypsum acquisition, to accord with its plans to reduce overall debt by a furthur FFr 1bn by end-1987, following a similar fall last year.

Acquisitions

It is also examining a series of smaller investments. These include efforts to build up its presence in granular aggregates, where it believes the price of supplies may increase in coming years as a result of difficulties in exploiting quarries, in line with environmental demands.

Although Lafarge wants to have the resources available to finance any further acquisitions without adding to debt, it has no firm acquisition plans at the moment.

$43m loan for Olympic Airways

By Our Euromarkets Staff

OLYMPIC AIRWAYS, the Greek state-owned airline, is raising a $43m syndicated loan in the Euromarkets to finance the purchase of a Boeing 747 aircraft from Singapore Airlines.

Saudi International Bank is arranging the loan, which carries the Republic of Greece's guarantee. It is for 10 years, including a two-year grace period, and has a margin over London interbank offered rates of ¼ percentage points.

The same spread as was obtained by the Bank of Greece on a $370m eight-year loan syndicated earlier this year.

BCal to maintain Virgin aircraft

BRITISH CALEDONIAN has won a $10m (£6.5m) contract from Virgin Atlantic Airways to maintain its two Boeing 747 Jumbo jets. BCal won the three-year contract against competition from British Airways, KLM and Aer Lingus.

The engine support included in the contract has been subcontracted by BCal to Aermotive Ireland, of Dublin, a Pratt & Whitney JT9D engine specialist.

First Australian bond issued since tax change

BY CLARE PEARSON

HOPES OF a cut in the US discount rate were in the air in the Eurodollar market yesterday, although trading volume was low. The Federal Open Market Committee is in session in the US, and Eurobond dealers yesterday were awaiting New York's reaction to statements on interest rates that may emerge from it.

No new straight fixed-rate dollar bonds surfaced yesterday, and attention focused on a New Zealand dollar issue for Rural and Industries Bank of Western Australia, London branch. This was the first issue for an Australian issuer since the Australian authorities imposed 10 per cent withholding tax on domestic borrowers' bonds last week.

Rural and Industries Bank's issue will not be affected by the tax, lead-manager CIBC said, since its London branch is the borrower and the funds will remain outside Australia. There is an associated swap, but this does not involve Australian dollars nor an Australian counterparty.

The NZ$ 250m seven-year issue is structured as a zero-coupon bond. It is priced at 39 per cent with fees of 1½ per cent to give an all-in-cost of 15.04 per cent.

The two dollar-denominated issues that did appear yesterday were both targeted at Far Eastern investors. The first was a variable redemption bond for Regie des Telegraphes et Telephones, the Belgian state entity. The three-year bond gives the investor a play on the price at the time on redemption on the current 30-year US Treasury bond. Redemption is based on a formual so as the Treasury bond's price rises, the repayment amount falls.

The strike price has been set at 84⅞ while the future price of the Treasury bond will be determined in July 1989.

To compensate the holder for the risk that rates will have fallen by the end of three years, the bond pays 10 per cent coupons. It is priced at 101⅞. Lead-manager Morgan Guaranty said it was trading at 101¼ yesterday afternoon.

RTT has swapped the funds into D-Marks and Swiss francs at below London interbank offered rates.

New Japan Securities launched a $50m five-year "deferred" coupon deal for the Hong Kong subsidiary of Marubeni, the Japanese trading company. A 34 per cent coupon will be paid in 1990, effectively representing the first four coupons paid in one lump sum. An 8½ per cent coupon will be paid in 1991. The issue price was set at 101.

In the D-Mark market trading was thin with mixed price changes. A recent DM 750m floating-rate note for Ireland, which traded poorly initially, is now trading at 99.95 on the bid side, against a par issue price.

In the Swiss franc market prices were basically unchanged in moderate trading. No new issues traded for the first time. Credit Suisse launched an SFr 200m eight-year bond for Nippon Telegraph and Telephone. Pricing will take place on July 11, but the coupon was indicated at 5 per cent. This was lighter than bankers had expected, despite the borrower's popularity in this market.

The bond is callable in 1989 at 100½ per cent, and then at declining premiums.

Wirtschafts-und Privatbank is expected to launch a SFr 100m 10-year 5¾ per cent bond for US Steel, priced at par. An earlier issue for US steel is currently trading at around 99¾.

Credit Commercial de France launched a FFr 500m 15-year bond for Mortgage Bank of Denmark which it said was designed to provide a compromise between the borrower's need for longer-term funds and investors' preference for short maturities.

The bond pays coupons of 8 per cent for the first five years, after which terms may be reset. At the same time the issuer may call the bond, or the investor put it. The same conditions apply after 10 years.

Swiss banks reach agreement on fees

THE "Big Three" Swiss banks have finally agreed on a scale of charges. They had been thrown into a dilemma over new fee structures when the Swiss National Bank liberalised the maturities of private placements and public bonds in May, our Euromarkets Staff reports.

Recent liberalising moves have allowed for private placements of maturities of more than eight years and short-dated public bonds. Union Bank of Switzerland, Credit Suisse, and Swiss Bank Corporation have not launched any such issues so far because of negotiations about fees.

One of the banks said yesterday that they had agreed that short-dated public bonds would have fees rising by ¼ per cent per annum from 1½ per cent for a three-year deal to 2¾ per cent for an eight-year issue. For a supranational and sovereign borrowers, fees will be an ⅛ per cent lower in each case.

Commissions on long-dated private placements will be 2 per cent for nine years, rising by ⅛ per cent till the 13th year. For maturities of between 13 and 15 years, 2½ per cent will be charged, and 2¾ per cent for bonds with lives over 15 years. In each case,

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on July 8

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TECHNOLOGY

Roy Garner in Tokyo explains how the Japanese nuclear power industry has overcome public safety fears to win social acceptance and allow 13 per cent of Japan's power to be nuclear

Why earthquakes help nuclear power

IN A country as prone to earthquakes as Japan, how do you ease people's concern over the safety of nuclear power plants? Answer: you regularly recreate destructive forces greater than the Great Kanto Earthquake, which killed some 140,000 people in Tokyo and Yokohama in 1923, and you invite the public in to see how nuclear plant components stand up to the test.

Japan's commitment to nuclear power is unequivocal and enthusiastic; with 33 nuclear plants in operation it ranks fifth in the world as a nuclear power operator. there is broad public acceptance of the technology and 13.9 per cent of the nation's overall electricity requirements are now nuclear-generated, a figure scheduled to grow to 19 per cent by 1990.

A decade ago, however, the picture was much less certain. At that time the nation's nuclear plants were operating at an unimpressive 42.2 per cent (1975) of capacity, public confidence was low and questions were being raised over the technical quality, and hence safety, of installations; especially concerning their resistance to earthquakes.

> Japan's commitment to nuclear power is unequivocal and enthusiastic

The government contends it is the program it launched in 1976, aimed at increasing operating efficiency and reassuring the public over safety questions, that has been the key factor in both producing an atmosphere of public acceptance and justifying its commitment to the technology.

A central element of the program involved the foundation in March 1976 of the Nuclear Power Engineering Test Centre (NUPEC), and one of the most important, and spectacular, of its briefs was the construction of an earthquake simulator.

This facility, which is now in operation in Tadotsu town in Shikoku, was designed to subject full-scale components of nuclear power plants to vibrations and shocks even greater than those associated with Japan's largest earthquakes. Engineers aimed in this way to verify the accuracy of the computer calculations used in the plants' construction and, by inviting the public to observe the tests and study the results, demonstrate the safety and reliability of the equipment.

It is hoped that the research work at Tadotsu may also eventually contribute to an improved international exchange of seismic engineering test data, something currently limited to case-by-case consultations between MITI (Ministry for International Trade and Industry) and the Nuclear Research Council (NRC) of the US.

Takeshi Kanayama, general manager of the "Tadotsu Engineering Laboratory," says it is "hard for the general public to understand the mechanism of nuclear power plants, and also the phenomenon of earthquakes. We believe the tests here are an effective way to get the public's understanding."

At the heart of the Tadotsu facility is a massive vibration table, 15 meters square, 3.5 meters deep, weighing 400 tons, and mounted upon horizontal and vertical oil-hydraulic rams. In computer-controlled sequences these rams can lift and rock the table to simulate an earthquake considerably more powerful than any Japan has experienced.

The earthquake simulation can be sustained at maxium force for as long as 20 seconds by the use of 36 auxiliary accumulator units which "store" hydraulic oil at pressures of up to 210 kg/sq cm.

The components being tested on the vibration table may themselves weigh up to 1,000 tons. It is therefore easy to imagine the huge stresses and vibrations which can emanate from the experiments.

In order to minimise any effect these might have upon local citizens, the Tadotsu plant has been built upon a *gigantic concrete foundation platform*, and located well clear of residential areas.

The construction of the foundation block was an engineering achievement in itself, requiring 15,000 truck loads of concrete, laid in 121 separate pouring segments over a period of eight months.

Within the facility's operations room a unique air-cushioned floor was also installed to isolate the electronic monitoring equipment from vibrations.

The current 9-year seismic proving tests program at Tadotsu covers eight essential light-water reactor components and began in 1980 with vibration and excitation tests on a 1/3.7 scale, 340 ton, PWR (Pressurised Water Reactor) containment vessel.

Each component testing cycle, from design through to evaluation, lasts approximately four years and proving tests have also been completed on a 1/1 scale BWR (Boiling Water Reactor) primary loop circulation system and on 1/1 PWR reactor core internals. The vibration table is currently being prepared for testing of BWR reactor core internals.

The tests are of three types; vibration tests, seismic response wave tests and functional tests. In the latter case confirmation is sought of reactor containment vessel airtightness, control rod insertion functions and non-effect of water vibration (sloshing) in the suppression chamber of the BWR reactor containment vessel.

When asked about the safety of power plants currently in operation, in light of these tests, Kanayama said the (original pre-construction) "computer calculations have already assured the safeyt of the equipment. Our first purpose here is to demonstrate to the public, and confirm, these earlier calculations. These calculations and the test data match well and show that safety is very high."

According to government spokesman Akihiko Ishikawa deputy director of the Nuclear Power Generation Division of MITI, the independence of the review of test results is guaranteed by the presence of government and university experts who sit alongside industry specialists on the examining committees.

Ishikawa says the government is also providing two-*thirds of the Y30bn construction* costs and Y25bn operating expenses of Tadotsu, a ratio which he claims safeguards public trust in the venture.

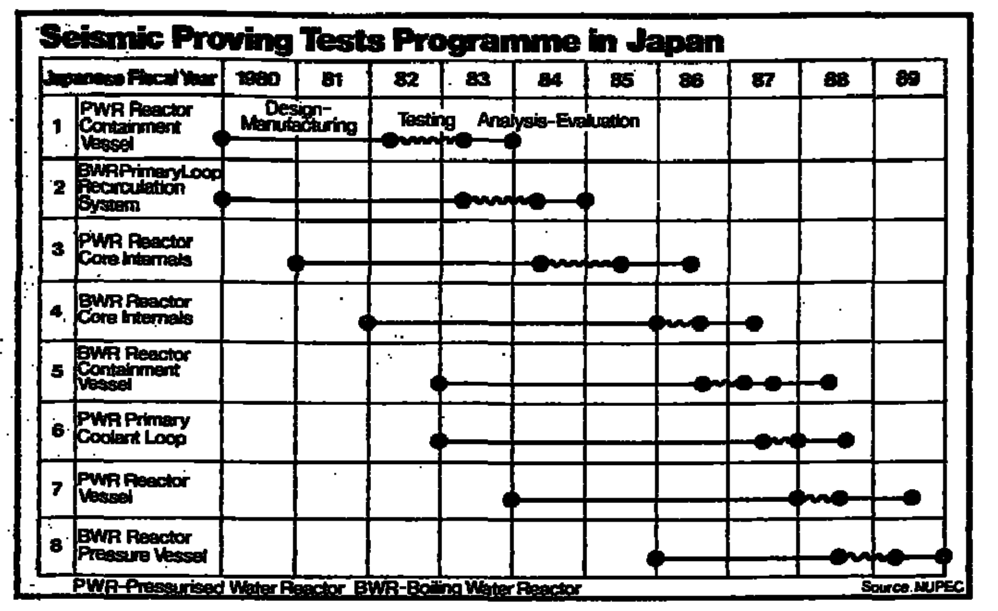
Firms involved in nuclear power equipment construction, such as Mitsubishi Heavy Indusrties, Hitachi and Toshiba, do however play a key role in the Tadotsu seismic testing program. Ishikawa says that he does not know to what extent changes have been effected in components, following seismic testing, as "that is for the private companies to decide after their inspection of test data."

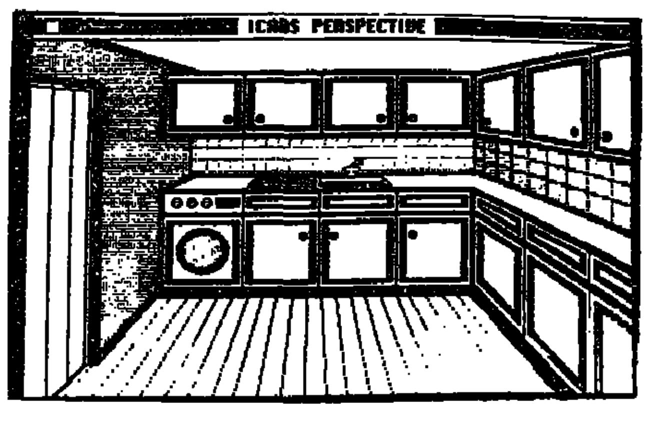
A recognised limitation of the *Tadotsu plant is its inability* to simulate long-term vibration stresses as produced by frequent small earthquakes over months or years. Tadotsu has a maximum (low-intensity) operating sequence of 40 *seconds after which a one hour* interval is required for "re-charging" of the accumulators.

> "It is hard for the public to understand the mechanism of nuclear power plants"

Progress in the government's overall nuclear-power generation improvement program can clearly be measured however by its much improved operating capacity figure of 76 per cent (April 1986).

No decision has yet been made as to how the Tadotsu vibration table, the world's largest, will be used after the present testing schedule ends in 1989, but Kanayama said "in future we would like to do tests on the equipment of other countries, including non-nuclear items."





Micros improve on kitchen designers

KITCHEN DESIGN is the subject of a computer-aided design package from Icads of Ashford, Kent, UK (0233 29901). Developed from within the kitchen industry specifically for retailers, the software is for use in conjunction with the Apple Macintosh computer.

Called MacPlanit, the software allows the retailer to offer the customer a range of designs and costings in a few minutes, saving time, effort and money.

Minimum keyboarding is called for, most of the design being done using a "mouse" (a device which, moved over a desk-top tablet, is mimicked on the screen to draw pictures.

MacPlanit includes a word processing segment

UNDERWATER PAINTING of ships' hulls has been commercially demonstrated in Australia by Underwater Technology Corporation (UTC), which is based in Perth.

The Japanese vessel Anei Maru had been damaged over a 20 metre length of her hull but was repaired and repainted by a team of divers in 24 hours. The ship resumed her schedule, with substantial savings of dry docking and labour charges.

UTC used its new Hycote 151 paint system. This is a solvent-free, two-part coating consisting of a modified epoxy resin and a polyamine-based agent which is applied by a power brush and cures and dries to a hard smooth finish under water. UTC's number in Australia is (09) 455 1865.

MAP GATEWAY units have been introduced by Gould Electronics of Basingstoke, UK (0256 460466) which provide a cost effective method of integrating various kinds of manufacturing system along a MAP backbone network without equipment replacement.

MAP is world initiative, led by General Motors, to encourage automation equipment makers to use the com munications standards now emerging from the International Standards Organisation in Geneva. The Gould device, designated NW0200, provides a protocol translation service between MAP and non-MAP devices.

FI^E RESISTANT industrial curtain material which is an improvement over asbestos with none of the hazards is available from Fothergill and Harvey of Summit Littleborough, Lancashire UK (0706 78831).

The single layer material, designated Y0462/398, is 1.5 mm think and is claimed to be easy to shape, fold and sew. Its flexibility makes it well suited for use in roller-store mechanisms where headroom is limited.

Hair-like filaments of stainless steel are contained in the fabric's glass yarns. These give it increased strength at high temperatures but allow flexibility to be maintained because the filaments are so fine.

The fabric is treated with ICI's M729 formulation which makes it able to withstand temperatures up to 1,000 degs C.

WORTH WATCHING

EDITED BY GEOFF CHARLISH

Flat tubes put military in the picture

FLAT TUBE display screens developed by the Philips research laboratories at Salfords in the UK are now being made in an eight inch diagonal size by Mullard at their Mitcham, Surrey plant and initially are being used in military equipment offered by MEL of Crawley, another Philips company.

The tubes, first reported on this page in November 1985, retain the agility advantages of deflecting a weightless beam of electrons to "write" on a phosphor screen at high speed, but they do away with the conventional electron gun *mounted centrally behind the* screen and perhaps 10 inches away, making the equipment bulky.

Instead, the gun is mounted just behind the screen, at the top and pointing downwards. The beam moves like a pendulum to give the customary line scan, but across the bottom of the tube front only. Immediately after, it is turned through 180 degrees to move back up the face of the tube and parallel to it. On its way up, the beam encounters a series of horizontal plates covering the whole tube face with deflecting voltages. These cause the beam to be turned through 90 deg into the phosphor on the back of the faceplate at various vertical positions, giving a sequence of horizontal lines just like a normal TV picture.

The structure gives an eight inch (diagonal) tube that is only 2.5 inches deep, producing very compact display terminals. MEL can offer a range of units which can be tailored to meet systems designers' needs for land, sea or air. Use of the tubes in domestic television sets is not expected for the time being. MEL is on 0293 28787.

Computer eye sorts out drink problem

BY ALAN CANE

THE WONDROUSLY named Twelve Island Shipping Company, part of the more soberly titled International Distillers and Vintners, makes "Malibu," a coconut based liqueur, and markets it in distinctive, white bottles.

Duty apart, the white, translucent bottles are probably worth more than the drink they contain. They are manufactured in relatively small numbers — some tens of thousands — by Rockware of Doncaster, the second largest supplier of glass containers to the UK market, whose total output is some 21m bottles a year.

It makes Malibu bottles using a moulding process. The price is more than double the £45 or so a thousand asked for conventional bottles.

The snag is oil in the mixture. The moulding tool is lubricated with oil which can contaminate the inside of the bottle. When the hot glass is inserted, the oil burns to carbon which coats the inside of the bottle with sooty black carbon.

Visual inspection was out because of the numbers involved, but it should have been an easy problem to solve. A gadget to measure the light reflected from the inside of the bottle should have done the trick. In practice, edge effects caused by the reflective surfaces of the neck and lip made that technique unsatisfactory.

Vinten Scientific Systems of Sandy, Bedfordshire, solved the problem using a video camera linked to a novel computing system able to memorise the image of the inside of a clean, carbonless Malibu bottle.

The system looks down the neck of each bottle on the production line. The image of the inside is compared by the computer with the image of a clean bottle, and one "subtracted" from the other.

In clean bottle, the images cancel each other out, while dirty bottles leave a residual image. The operator can preset a level at which the system automatically rejects the bottle.

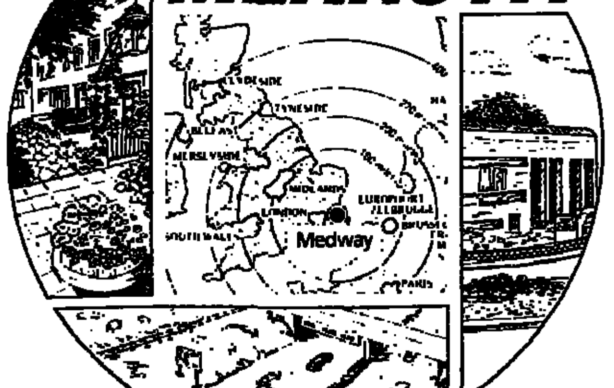
Automating fibreboard finishing

MOULDED FIBREBOARD components like wall panels and table tops can be dimensionally stabilised and painted at high speed using automatic plant designed by Air Industrial Products of Walsall, UK.

A serious problem when painting a moulded fibreboard surface is that the board emerges bone dry from the press and must then be allowed to absorb 14 to 16 per cent by weight of moisture before it stops swelling and becomes dimensionally stable. A 6ft x 3ft panel 0.125 inch thick takes two days to absorb about 0.5 litre of water and only then can it be safely painted.

The company has overcome the problem using a vacuum impregnation method that can impart full dimensional stability to the panels in less than one minute. The panels are placed so as to become the top surface of a vacuum tank and a controlled amount of water, sprayed on the outside into the board. It is then painted automatically and cured in an infra-red oven. Some 60 board units an hour can be processed, which is easily doubled by adding extra loading and impregnation units. More on 0922 55416.

GEOFFREY CHARLISH



UK COMPANY NEWS

Granada beats forecast with 40% surge to £39m

THE Granada Group, which escaped an unwelcome bid approach from the Rank Organisation earlier this year, returned better-than-forecast profits in the opening six months of the 1985-86 year.

At the *pre-tax level they rose* by 40 per cent to £39.21m and beat the directors' forecast of at least £38.5m *made at last April's* annual meeting. City analysts were looking for around £39m.

Yesterday, *Mr Alex Bernstein*, the chairman, said the group was achieving a significant profits advance and substantial resouces were being committed to ensure that real growth would be sustained in the future from the level established in 1985-86.

He added that the 40 per cent increase in profits reflected substantial investments made over the last few years.

In all, Mr Bernstein viewed the future prospects of Granada with great confidence.

The half year to April 12 1986 saw turnover increase from £394.78m to £414.58 — the group's interests are in TV, bingo and motorway service stations. The trading surplus for the period improved by £12.81m to £109.69m.

Pre-tax profits were struck *after taking account of* depreciation of £66.04m (£67.11m) and interest charges of £4.44m (£1.8m).

Profits of the previous half year included £2.8m losses from the Belgian insurance operations (now disposed of) and the results of the loss-making US rental business which is in the process of being run down. The costs of this will appear as an extraordinary charge in the full accounts.

All other overseas companies continued to develop successfully, including retailing of TVs and video recorders, and widening the range of products and services on offer.

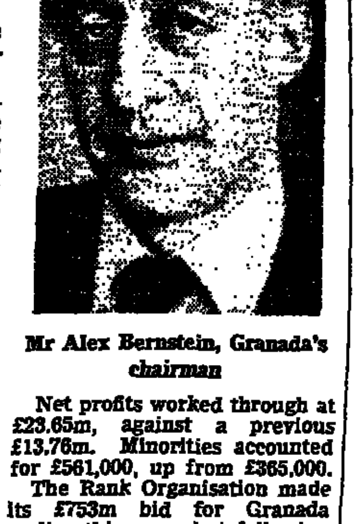
In TV broadcasting and programme production, there was a substantial improvement in the level of advertising expenditure. This was reflected in the performance of Granada Television.

In leisure and consumer services, a new *motorway service* area was opened in March at Stirling and the first Granada Lodge, the brand name for the group's budget hotels, was opened on the same site in May.

A further service area opened at Newbury last month and the second lodge is due to open at Exeter later this month. A further 12 bingo clubs have been added in the past 14 months, bringing the total to 52.

Earnings for the opening half year improved to 9.3p (5.4p) and as evidence of their confidence in the future potential of the group the directors are following the unbroken dividend increases of recent years by lifting the interim payment from 2.53p to 3.04p net.

Tax at 40 per cent took £15.56m (£14.21m at 51 per cent).



Mr Alex Bernstein, Granada's chairman

Net profits worked through at £23.65m, against a previous £13.76m. Minorities accounted for £561,000, up from £365,000.

The Rank Organisation made its £753m bid for Granada earlier this year, but following intervention by the Independent Broadcasting Authority and a subsequent High Court ruling, the offer was finally withdrawn in March.

See Lex

Buy-out at STC company

STC, the ailing electronics and communications group, is selling its Wound Components Unit, which specialises in winding machines and achieved 1985 sales of £3m, to three of its senior managers for an undisclosed amount.

A new company, Excel Wound Components, will take over the existing plant from STC in Harlow, Essex.

Mr Dennis Moy, chief executive of Excel, said management would have a 55 per cent share of the equity. The company employs 120 people.

The buy-out was financed by Midland Bank Equity, the investment arm of Midland Bank.

Hickson/Florco

Hickson International, the chemicals, timber protection and distribution group, yesterday posted the document detailing its £1.35m agreed takeover bid for Florco, a distributor of floor coverings.

Hickson's offer of a nine-for-10 share swap with a 388p per share cash alternative already has the backing of Florco directors and other shareholders owning a total of 56.91 per cent Florco's ordinary shares.

Cambridge Instrument up 15%

Cambridge Instrument Company, which last July postponed plans to seek a full listing of its shares, yesterday reported a 15.3 per cent increase from £4.21m to £4.85m in pre-tax profits for the year to March 31 1986.

Turnover for the year rose from £52.25m to £57.69m, an increase of 10.4 per cent.

Dr Terence Gooding, the chairman, said the group would pay its first dividend, 0.67p net, since its reorganisation in 1979. Profits had been used to reduce borrowings and to improve its financial condition, and he felt it was still necessary to retain a significant proportion of its earnings to develop the business.

The decision to postpone the listing was made in the light of adverse stock market conditions, but it remained the directors' intention to seek a listing when circumstances were appropriate. The acquisition of Reichert, and the reporting requirements of the Stock Exchange relating to financial information on Reichert might delay those plans, said Mr Gooding.

Commenting on the year's figures, he said the scientific instruments business produced another record performance. There were signs that demand for semiconductor manufacturing equipment in Japan and the United States might improve later this year.

There was an extraordinary profit of £4.07m (£13,000) during the year, and after dividends of £453,000 (£841,000), retained profits were £8.05m compared with £2.75m. Stated earnings per ordinary share rose from 10.9p to 12.3p.

Harder times ahead for Toothill

R. W. Toothill, the Durham-based furniture manufacturer, yesterday reported only a modest rise in profits for the year to March 31 1986, and warned that adverse trading conditions would affect the outcome for the current half.

Pre-tax profits last year rose by just £9,000 to £316,000, which the directors said was in line with forecasts. The final quarter saw a deterioration in trading, and this has continued into the present six month period.

The directors said, however, that the measures they had taken, including the introduction of a new range of up market leather suites, were expected to have a significant impact on the results.

In 1985-86, freehold tenure of offices and some adjoining factory space were purchased for £103,577. Invoiced sales for the period slipped from £4.75m to £4.55m, and the taxable result was after a provision for all charges, including depreciation and other amounts written off tangible and intangible fixed assets, totalling £86,000 (£75,000).

The dividend for the year is increased to 8.25p (7.5p) with *a final of 4.95p (4.5p), on earn*ings per share of 27.78p (25.7p). The company paid £122,000 in *tax against £127,000*, and last time there was extraordinary income of £67,000.

The shares rose 15p to 230p yesterday.

Stroud benefits from Salts acquisition

A STRONG performance by its worsted division, enhanced by the acquisition from Illingworth Morris of Salts Saltaire, enabled Stroud Riley Drummond to lift its 1985-86 profits from £638,000 to £1.36m pre-tax.

Furthermore, signs suggest the group will continue to make steady progress in the current year.

The directors said that despite poor weather conditions during the spring and early summer both turnover and the order book were comfortably ahead of the same time last year.

Turnover for the year to March 31 1986 improved from £16.11m to £23.23m and trading profits showed an advance of £901,000 at £1.97m—the Bradford-based group is a manufacturer of worsted suitings and knitted fabrics.

Earnings worked through at 19.8p (5.19p) net after taking in a tax credit of £65,000 (charge £251,000), and a final dividend of 2p (1.5p) raises the total by 0.75p to 3p net.

In 1985-86 the group intends to consolidate on the gains made. It aims to develop its position as a leading supplier of worsted fabrics and to this effect, it will continue to invest in modern technology both on the production and the systems support front.

The year will see a major investment in an in-house finishing plant, thus increasing the group's ability to control quality, reduce the cost base and improve the service and speed of response to customer requirements.

The balance sheet was considerably strengthened during the past year, adding nearly £1m to shareholders' funds, representing an increase of 22 per cent.

The acquisition of Salts enabled the worsted division to increase its production capacity by over 50 per cent during the second six months.

A reorganisation, together with development of new customers, in the leisure fabric sector effected a major recovery in this division to a break-even position from significant losses in the previous year.

Current trading indicated that this trend was continuing and a positive contribution was being looked for.

The directors said they were proposing to change the name of the company to the Drummond Group.

● comment

For two years, Stroud Riley had excuses for poor results a fire at a supplier and rising raw material costs. Those who accordingly left the shares alone will be confounded by these results and by the share price rises from the late 30s in 1985 to yesterday's 122p. The main business remains the supply of worsted fabrics for menswear, ladieswear and uniforms. Although it has added around 50 per cent to capacity, it will take some time before Salts can add some spice to the profit and loss account. Nevertheless, it seems reasonable to expect underlying growth of around 25 per cent for the worsted division. Bunting should do well out of the royal wedding and the leisure division should show a small profit but both divisions are small and their contribution will be dwarfed by the savings in interest costs resulting from the drop in the gearing level from 65 per cent to 38.5 per cent. Pre-tax profits of £1.75m look feasible this year. Even for the sake of caution eliminating the 16 per cent or so of profits contributed by South Africa, the tax charge of 15 per cent leaves the shares on a miserly p/e of 6.5.

Evans of Leeds at record £5m

From a gross rental income £1.19m ahead at £7.73m Evans of Leeds raised its profits for the year ended March 31 1986 from £4.46m to a record £5.63m pre-tax.

The dividend is lifted from 3.275p to 4p net, the final being 2.5p (2p).

During the 12 months the company spent £7.4m on *investment properties*, almost all of which were commercial and retail. Included was an *office block and a retail establishment*. The directors said these properties would produce *excellent* returns when fully let.

The company, engaged in *property investment* and development, has an investment portfolio amounting to *over £64m of* which 55.99 per cent reflects commercial properties.

Shareholders' funds at year-end stood at £41.1m, equal to 125p a share. In addition, a surplus on *revaluation* of investment properties held in stock amounted to £1.75m, or just over 5p per *share*.

Interest charges for 1985-86 accounted for £1.94m (£1.23m) and *tax for* £2.1m (£1.66m). Net profits emerged at £2.93m (£2.79m), before taking in extraordinary credits of £296,996 (£171,311).

Earnings improved from 8.508p to 8.929p per 25p share.

Hanson disposal strategy faces Monopolies snag

BY LIONEL BARBER

Hanson Trust's much-leaked plan to dispose of a block of hotel, pub and restaurant businesses acquired after its successful £2.8bn takeover of Imperial Group appeared last night to have run into difficulties.

The Office of Fair Trading is understood to have told Scottish and Newcastle breweries, one of a number of prospective buyers, that any move to acquire Hanson's pub interests could face a reference to the Monopolies and Mergers Commission.

S&N refused to confirm or deny yesterday that it had made an offer for the former Imperial businesses which include the Happy Eater chain of roadside restaurants, Anchor Hotels, Welcome Break motorway service areas and *1,300* managed taverns. But other interested buyers said that they believed *that S&N was a front-runner in* the race to clinch a deal with Hanson, which could amount to *£190m*.

Among the interested parties are Ladbroke, the betting and *hotels group which would like* to acquire Anchor Hotels; Trusthouse Forte, the hotels and catering group which has made a formal offer; and Sears Holdings, which is primarily interested in buying the Happy Eater chain.

The MMC warned last year in its report on S&N's proposed purchase of the independent brewer Matthew Brown that it would be unhappy if one of the major UK brewers expanded its interests further into tied estates.

The OFT is likely to have drawn S&N's attention to this, and to the possibility that its director-general, Sir Gordon Borrie, is considering recommending a further MMC investigation into the brewing industry and its relationship with its own tied estates on competition grounds.

Lord Hanson, chairman of Hanson Trust

Several key representatives of the Brewers' Society are to meet Sir Gordon today in an effort to dissuade him from making such a recommendation.

The risk of an MMC reference concerning the pubs could damage Hanson's hopes of disposing of all the former Imperial businesses in one clean deal to the highest bidder. Equally, Hanson is faced with a queue of buyers all interested in various bits of the businesses.

One prospective buyer is Sears Holdings, the retail, betting and property services group. The interest stems from Mr Michael Pickard, the former Imperial deputy chief executive who is joining Sears in the autumn.

Mr Pickard built up the *Happy Eater restaurant chain* and is reluctant to see the chain pass into the hands of a competitor such as Trusthouse Forte, which already has its own Little Chef roadside restaurants.

Mr Pickard said yesterday he had written to the OFT to point out the possible restriction of competition if Trusthouse succeeded with its offer. He stressed that he was writing in a personal capacity and not on behalf of Sears.

ISSUE NEWS

Offer values TV-am at £42m

BY ALICE RAWSTHORN

TV-am, the breakfast television station, which three years ago was on the brink of collapse, is coming to the USM in an offer for sale which will capitalise the company at £42.3m.

The history of TV-am has been nothing if not colourful. The station came on air in the autumn of 1982 broadcasting the "mission to explain" programming format devised by Mr Peter Jay and the "Famous Five" consortium of broadcasters which won the franchise.

The "mission to explain" was a disaster. In its first 18 months on air TV-am lost almost £15m.

Under a new management team, headed by Mr Tim Aitken as non-executive chairman, *representing the Aitken Tele*communications shareholding, and Mr Bruce Gyngell as managing director, representing the Australian media conglomerate, Channel Nine, the station's fortunes have revived.

TV-am now broadcasts to an average weekly audience of 12.5m viewers and in the first four months of this year claimed 3.4 per cent of independent television advertising revenue.

In its last financial year, to *January 31, TV-am produced* pre-tax profits of £4.8m on turnover of £29.3m. In the current *year the board expects to pro*duce profits of at least £7.5m, with earnings per share of 14.9p and a yield of 6.2 *per* cent.

In the flotation TV-am will release 12.7m ordinary shares or *37.3 per cent of its equity* at 130p a share. The station's employees have been given preferential rights over 10 per cent of the shares in issue.

The majority of the shares in *issue have been sold* by United Newspapers which "inherited" a 34 per cent holding when it acquired *Fleet Holdings* last autumn. The original cost of the Fleet stake, which will realise *more than £14m from* the flotation, was just over £4m. Aitken Telecommunications is selling less than 1 per cent of TV-am's shares and the Prudential just over 2 per cent.

The applications list for TV-am's shares will open on Tuesday, July 15, and dealings *should* begin on Wednesday July 23. The merchant bank to the issue is Kleinwort Benson *and the joint brokers, County* Securities and Kleinwort Grieveson.

Newcastle Water looks for £7m via tender offer

BY RICHARD TOMKINS

The Newcastle and Gateshead *Water Company* is *today offer*ing for sale by tender some £6.5m of 7 per cent redeemable preference stock *1994-96* at a minimum of £100 for each £100 of stock. Underwriters to the issue are brokers Seymour, Pierce.

The conventional gross yield of the stock at the minimum tender price will be 9.85 per cent, but it shows a franked investment income return of 10.77 per cent.

It is making the current issue of stock to fund the redemption at par of £6.5m of 7.75 per cent redeemable preference stock 1986 on June 30.

A deposit of £10 is payable on application and the closing date is July 16. As with other water company tender offers, *the price tendered is the price* liable to be paid: there is no striking price.

● comment

The Newcastle offer's conventional gross yield of 9.85 per cent may *look attractive* when set against the 9.25 per cent or so offered by equivalent gilt *issues, but it is not pitched at* small investors: they would do better with water company debentures which offer 10.04 per cent. The real attraction is for institutional investors such as insurance companies which can take advantage of the franked investment income return of 10.77 per cent, and these will probably be tendering at a premium of ½ to ½ point to secure stock.

Kleinwort Development placing

BY TERRY GARRETT

The mounting pressure of potential capital gains tax liabilities is one of the main reasons that **Kleinwort Development Fund** is coming to the market via a placing. With authorised status it can unravel *its holdings in some 24 quoted* companies without crippling CGT bills, while also raising *new money to expand its port*folio.

While the primary invest*ment direction of the fund is* aimed at development capital with a limited seasoning of higher risk venture capital, the gradual progression of its investments to the main market and USM has resulted in 55 per cent of the capital being in quoted vehicles. It is the intention of the directors to unwind those holdings, gradually freeing-up capital for further young ventures.

The placing is of 1.2m ordinary shares, all new equity, at 154p a share valuing the fund at £9.3m. The placing price has been pitched at a *24.8* per cent discount to the underlying asset value. The issue will raise about £1.6m *after expenses*.

Net asset value has grown by an average of 20 per cent *a year since Kleinwort Benson* took on the management and by July 1 it stood at £11m.

Brokers to the issue are Kleinwort Grieveson. Dealings are expected to start on July 15.

St David's in 3m share placing

St David's, a new split-level investment trust, is obtaining a listing via a placing of 3m *shares* by *L. Messel* and Williams de Broe.

The placing, which represents 36.6 per cent of the trust's share capital, will raise around £2.6m. An equal number of income and capital shares with an eight-year maturity are being issued.

St David's will aim for an overall portfolio yield of 5.9 per cent, resulting in a return for income shareholders of about 11.8 per cent before expenses. In the year to end July 1987 the income shares are expected to pay a 6.8p net dividend, giving a gross yield of 8.5 per cent at the 118p issue price.

The capital shares will be placed at 75p a 28 per cent discount to the net asset value of 104p. St David's intends to maintain a gearing level of 50 per cent.

Full listing puts Unilock's value at £11m

By Richard Tomkins

Unilock, the office partition*ing specialist* which last month announced that it was to move from the over-the-counter *market to a full listing, is to* make the transition through a placing which will put a value on the company of £11.8m.

Hongkong Bank, the sponsors to the issue, are placing 4.2m shares—about 22 per cent of the enlarged equity—at 63p a share. When added to the shares already traded on the OTC, this will put about 65 per cent of the company's shares in public hands.

Broker to the issue is James Capel.

Unilock's main business is supplying movable partitioning systems for open-plan offices, but it also supplies suspended *ceilings*, raised floors, and toilet and shower cubicles.

The prospectus shows losses *of £1.5m in 1982*, which Unilock blames on difficulties with contracts undertaken by a subsidiary, *Project Interiors, now* no longer operating.

Since then, profits have risen to £1.4m in *the* year to last April on turnover up from £15.2m in 1982, to £18.8m, and the company comes to the market on an historic price/earnings multiple of 11.6.

The placing will raise £1.5m for Unilock to add to its cash pile of £3.7m.

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UK COMPANY NEWS

Cleves has controlling stake in P. Michael

By Charles Batchelor

Cleves Investments, a small issuing house specialising in bringing companies to the USM, emerged yesterday as the controlling shareholder of Paul Michael Leisurewear, the lossmaking footwear and knitwear group.

Cleves announced it had bought a 55 per cent stake in Paul Michael from Brown & Jackson, the marketing, distribution and commodity trading company. It is making a mandatory offer for the remaining shares on the same terms—16½p cash per share—to value Paul Michael at £1.2m.

Mr Leonard Lee, managing director and sole shareholder of Cleves, said the aim was to retain Paul Michael's listing and to dispose of any shares which give it more than 85 per cent.

Paul Michael's shares leaped 30p to 46p yesterday, however, making it unlikely that any shareholders would accept the offer. When the purchase terms were agreed between Cleves and Brown, Paul Michael was trading at 16p.

Mr Lee said Cleves intended to revitalise Paul Michael in a manner similar to that employed at Sunleigh Electronics, a manufacturer of optical equipment. Cleves took a 17 per cent stake in Sunleigh last December, backed a programme of acquisitions and brought in new management expertise.

Mr Andrew Reid, chairman of Paul Michael and commercial director of Jackson, said the Paul Michael board had not been approached about the deal, which was agreed with between Cleves and Brown.

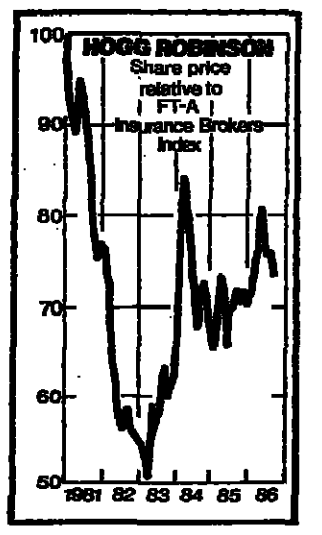
The Paul Michael board yesterday advised its shareholders to take no action and will today appoint financial advisers.

"This has come as a bit of a surprise for some of my colleagues on the Paul Michael board," Mr Reid said.

Paul Michael plunged into the red in 1985 making a pretax loss of £54,000 on sales of £5.87m compared with the previous year's profit of £297,500 on sales of £7.45m.

Hogg Robinson rises 23% and plans estate agency network

Hogg Robinson Group, the insurance broker which also has travel, transport and financial services interests, yesterday announced a 23 per cent rise in pre-tax profits to £17.4m for the year ended March 31 1986, and signalled its intention to enter the increasingly competitive estate agency business.



Mr Albert Wheway, the group chairman, said that the company was in negotiations which, is successful, would bring it 50-60 estate agent branches via the purchase of four or five unquoted companies. He expected to make a formal announcement within the next two to three weeks.

The company sees the move as the foundation of its expansion into high street personal financial services. The overall financial services operations will be transferred from its current position within the broking division to a new arm, which is to be headed by the group's deputy chairman, Mr Brian Perry.

He explained yesterday that the acquisition of estate agency businesses would enable Hogg Robinson to build up a chain of branches through which to market personal financial services.

Group turnover rose from £87.9m to £126.9m.

The profit in the 1985/86 year, compared with the £14.2m last time, was reduced by an estimated £1.1m by exchange rate movements, and came after an exceptional debit of £1m relating to irrecoverables on reinsurance operations a number of years ago.

Insurance broking remained the main profit earner, accounting for £10.4m, or nearly 60 per cent, of the total. Travel, Transport and financial services made £7m (£5.8m), while Lloyd's managing agencies contributed £3m (£2.6m). Other activities added £1.4m (£0.7m).

With earnings per share up 27 per cent at 24.84p, the dividend for the year is raised to 9.6p (8p) with a final of 5.23p (4.2p).

● **comment**

The City had Hogg Robinson pencilled in for £18m, so £17.4m after the exceptional item was near enough to hold the shares at 286p, down 2p, against a declining market. How much of the increase was attributable to the consolidation of Republic Hogg Robinson remains a mystery, but insurance broking seems to have done reasonably well in the face of adverse exchange rates while the travel agencies were 20 per cent ahead in a difficult market. Interest now centres on Hogg Robinson's forthcoming leap on to the estate agency wagon—or, perhaps more importantly, how much it pays to make it. In the present state of the property market estate agencies do not come cheap, and with the dilution of last December's rights issue in for a full year—and the proceeds already used up in paying for earlier acquisitions—Hogg Robinson could face a struggle maintaining the momentum at the bottom line if still more paper is disgorged for the purchases. On present form alone, however, the market is looking for £28m, so the shares are not looking unduly demanding on their prospective p/e of 10.

Triplex recovery gathers pace

Triplex, the acquisitive foundries, engineering and building components group, made good all-round progress during 1985-86 and for the year raised its profits to £1.28m at the pre-tax level.

The figure compared with £620,000 in the previous year and with the directors' forecast of not less than £1m made last December at the time of the £2.7m cash call.

As promised, shareholders are to receive a dividend of 2p net, an improvement of 1.25p. Interim dividends are to be restored in due course.

Three years ago Mr Lewis Robertson was brought in as chairman to bring Triplex back from what he described as "the edge of disaster."

He said yesterday that each of the divisions were now performing more profitably and that the group was now showing the beginnings of a planned and profitable recovery.

He added that this was only the beginning and that there was "more to come."

During the past year bank borrowings fell from £4.2m to £1.7m. Shareholders' funds stood at £8.4m (£5.1m) and gearing improved from 82 per cent to 23 per cent. In 1982-83 borrowings were standing at some £7m.

Since the rights issue the group has made four acquisitions: their full impact will be felt in the current year.

Triplex entered 1985-86 with finances "under no strain." Further development and acquisitions were being pursued.

For the past year (to March 31 1986) external sales improved from £26.71m to £30.96m.

● **comment**

Triplex results use to be X-certificate affairs—suitable only for those with a penchant for horror stories. Then the fifth cavalry rode in, headed by Lewis Robertson and Jim Doel. Losses were eliminated, staff cut and the result is pre-tax profits which are suitable for family viewing. Triplex divided, appropriately enough, into three divisions: foundries, engineering and building components. Although the foundries contributed most to this year's profits growth, a lot of the inefficiencies have now been eliminated and growth hopes are now concentrated on Triplex Alloys. Engineering should continue to make modest progress. It is the building components division that Triplex is hoping will provide the future rave reviews: further acquisitions will be added to the four made last year. Now that gearing is down to 23 per cent, interest charges may be halved this year which will help push pre-tax profits up to £2.5m. Tax losses have accumulated at one foundry but will work very slowly through the system and the charge should be around 30 per cent this year. That should put the shares, which, at 139p, are a long way from the low teens they reached at the end of 1982, on an undemanding prospective p/e of 10.

Carclo bids for Bruntons

BY DAVID GOODHART

Carclo Engineering Group yesterday made an all-cash £4.96m bid for Bruntons, the wire and rope manufacturer, which immediately rejected it as wholly inadequate.

Carclo stressed that there would be considerable industrial logic in a merger and this was not denied by Bruntons. A substantial part of both companies business is in the production of speciality wires.

Mr John Ewart, chairman of Carclo, said: "Bruntons has recently ceased the manufacture of the fine sizes of carbon steel wire used in its manufacture of wire rope and Carclo is ideally suited to supplyingy these wires for Bruntons' use."

Bruntons ,which made pre-tax profits of £640,000 on turnover of £11.7m in 1985, has seen a sharp decline in profitability over recent years and Mr Robin Duthie, the chairman, warned in the report and accounts for 1985 that it would be difficult to maintain the 1985 profits in 1986.

Nevertheless, Mr Duthie yesterday accused Carclo of offering an opportunist price "because we are going through a difficult year." He also said that since the closure of the part of the wire unit the longer term prospects now looked better.

Bruntons also complained that the all-cash offer did not allow its shareholders the opportunity to benefit from the fruits of the merger. The offer of 62p a share represents a premium of about 15 per cent over Monday's price. Carclo already holds 5.9 per cent of Bruntons. Its share price yesterday fell 10p to 395p. Bruntons rose 15p to 70p.

COMPANY NEWS IN BRIEF

THOMAS BORTHWICK, the international meat group, said yesterday it had discontinued discussions with certain Australian meat processors about the future of its Australian meat operations. The company first disclosed on June 25 that talks were in progress. Earlier this year it sold its New Zealand operations for £20m.

C. E. HEATH, one of Britain's largest independent insurance brokers, has terminated its talks with **Dewey Warren Holdings**, the small insurance broker quoted on the unlisted securities market. Last year Heath held merger talks with Hogg Robinson but these were also terminated following a failure to agree business strategy.

BRITISH BUILDING and Engineering Appliances lost £17,900 in the year to March 31 1986, compared with a profit of £127,901 a year earlier. The final dividend is cut from 1.15p to 0.67p for a 1.5p lower total of 1p, on losses per share of 0.7p (earnings 6.7p). Sales totalled £3.38m (£3.24m) and there was a tax credit of £9,300 (£46,288 charge).

SUTCLIFFE, SPEAKMAN, an engineer and carbon manufacturing company, turned losses of £597,000 into £171,000 profit for the year to the end of last March, even after accounting for a much larger exceptional debit of £344,000.

BOARD MEETINGS

TODAY

Interims: Associated Newspapers, City Site Estates, M and G Dual Trust, Microsystems, Southern Business.

FUTURE DATES

Interims—

Electronic Machine	July 17
First Chicago	July 11
GRA	July 10
Investors Capital Trust	July 10
Law Debenture	Aug 7
St Andrew Trust	July 22
TI	Aug 7

Finals—

Arlen	July 21
Hampton Trust	July 14
Magnet and Southerns	July 16

DIVIDENDS ANNOUNCED

Brit Building	0.67	—	1.15	1	2.5
Cambridge Inst	‡0.67	Aug 22	—	0.67	—
Domino Printing ...int	0.95	—	—	—	1
Evans of Leeds	2.5	—	2	4	3.38
Fleming Claverh'se int	1.7	Sept 30	1.38¶	—	5.08¶
Fleming Overseas	1.75	—	1.75	2.75	2.75
Granada Grp ......int	3.04	Oct 1	2.53	—	7.1
Hogg Robinson	5.23	Oct 1	4.2	9.6	8
Stroud Riley	2	—	1.5	3	2.25
Toothill	4.95	Aug 20	4.5	8.25	7.5
Triplex	†2	—	0.75	2	0.75

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ Adjusted for sub-division.

UK COMPANY NEWS

A new style of fund makes its UK debut

A passive approach to international shares

BY CLIVE WOLMAN

THE UK's first passively managed international fund, where managers will invest in *a statistically-based sample of* shares without attempting to select the most favourable companies, industrial sectors or countries, is being launched today.

The River & Mercantile International Index Trust, which is being backed by stockbrokers Wood *Mackenzie, is publishing* a pathfinder prospectus with the intention of raising up to £150m. The provisional closing date for applications is August 14.

The fund will aim to match the investment returns on the most widely used benchmark of the *performance* of world stock markets, the Morgan Stanley Capital International World Index. However, the UK stock market will be excluded from both *index and fund to allow* the offer for sale to be targetted directly at UK institutional investors wishing to invest overseas.

The fund has been launched at a time of growing scepticism on both sides of the Atlantic about the ability of highly-paid active *fund managers to achieve* a higher return for their clients by researching companies than would be achieved by a passive or random selection.

The Capital International Index (excluding the UK), on *which the International* Index Trust will be based, covers about 60 per cent of the market capitalisation of all world stock markets. The trust will invest only in a sample of about 390 companies out of a total of 1,160, shares of which are included in the Capital International Index. However, because the trust will invest mainly in large companies, its portfolio *will* cover about two-thirds of the index in terms of market capitalisation.

The sample has been constructed to cover the 18 countries which have the largest stock markets in the world (but excluding South Africa) with weightings in proportion to their size. Thus just over 50 per cent of the portfolio will be invested initially in the US stock market, 27 per cent in Japan, 4.7 per cent in West Germany, 3.1 per cent in Canada and 2.4 per cent in each of France and Sw-‹-rland.

The main industrial sectors will be represented in the portfolio on a similar weighting principle and account has also *been taken of the volatility of* individual stocks.

On the basis of historic performance, Wood Mackenzie estimates that the asset performance of the fund is likely to be within two percentage points of *the returns on the index each* year. The likely deviation is

Mr Philip Chappell, chairman of River & Mercantile

much greater than what is normally tolerated for index-matching funds in a single stock *market. But to limit the likely* deviation to less than one percentage point for an international fund would require investment in about 800 stocks which would make the transaction costs prohibitive for a *fund of only £150m.*

One of the chief attractions of a passively managed *fund* is that its costs are generally low as no money has to be spent on research and stock selection and the number of transactions is very small. *This fund* is expected to undertake only about 10 transactions a month, which will be necessary to re-balance the portfolio and take account of rights issues and other issues of new equity. The dividends *from individual companies will* be accumulated and distributed

however only £50m is raised, charges will be 0.4 per cent of assets. The charges for most *investment trusts are between* 0.4 and 0.7 per cent per year, with international funds at the top end of the scale.

In the US, the popularity of passively managed, index-matching funds has soared over the past two years, particularly among pension plan sponsors. *The value of funds managed* on an index-matching basis has nearly trebled and is now estimated at over $100bn. Most of the funds seek to match the *returns on the US stock market* as measured, usually, by the Standard and Poors 500 index. But one of the pioneers of passive management, Wells Fargo Bank, has recently launched an international fund *covering* nine countries which has assets of about $200m.

The experience of Wells Fargo has demonstrated that index-matching funds can be *fully efficient only if they are* very large, with assets of more than £2bn. This allows them to hold down the costs of share transactions necessary to fine-tune the portfolio and their annual charges to well below 0.1 per cent of assets.

In the UK, passive managers seeking to match the FT-Actuaries All Share index have emerged only in the last two *and a half years, with the lead* being taken by subsidiaries of the large clearing banks, National Westminster, Barclays and Lloyds. They have focused their marketing efforts exclusively on pension fund trustees. As the adjacent table indicates, active pension fund managers have generally achieved poor, below-average returns on both their overseas and domestic *equity portfolios in recent* years. In only one year since

World Investment Performance

Percentage return	1986*	1985	1984	1983	1982	1981
MSCI World Index (ex-UK)	19.7	12.9	32.3	37.9	32.0	20.9
Sample of pension funds	16.4	10.8	21.0	40.6	27.3	16.3

*Jan.-March.

once a year. The dividend yield is expected to be about 2.6 per cent.

The fund will be managed by River & Mercantile Investment Management, a wholly owned subsidiary of the investment trust, *River & Mercantile* Trust. The company manages funds of about £110m, divided between three investment trusts. Its fees will amount to £100,000 a year, if the value of money raised by the share offer *is less than £100m.* On the excess, up to a ceiling of £200m, it will charge 0.0125 per cent of funds per year.

Total annual charges, including all administrative expenses, are expected to be around 0.2 *per cent of assets, if initial* subscriptions reach £150m. If

1980 have they outperformed the Morgan Stanley Capital International World Index (excluding the UK).

Pension funds are also the most suitable candidates for index-matching because of their *long-term liabilities. The* transaction costs involved in investing and selling securities to meet client cash flow demands makes an open-ended fund such as a unit trust an unattractive vehicle for indexation.

An investment trust avoids these handicaps and, although the River & Mercantile fund has been set up primarily for institutional investors, it should have some appeal to private investors who dislike the high *charges of international unit* trusts.

Domino misses growth target

Domino Printing Sciences failed to achieve the level of growth for which it traditionally aims in the first half of 1985/86.

However, the company *said* that taxable profits showed a useful increase from £1.21m to £1.41m and the reasons for the slowdown in growth were now largely behind it.

Demand for Domino's *products was strong*, the board said, adding that it remained confident that the second half would show a further satisfactory increase. Taxable profits in the 1984/85 year rose by 46 per cent to £2.65m.

Domino makes, sells and services continuous ink jet printers, and supplies associated inks. Turnover for the half-year *to May 4 1986 rose by just* under £1m to £5.76m.

First half earnings per share rose from 6.09p to 6.76p, after tax of £523,000 (£505,00). The company, which obtained a *listing* in May 1985, declared a first interim dividend of 0.95p.

● comment

Domino was unlucky in its timing. The interim figures *admittedly* came in below expectations but not for any particularly worrying reasons and not deserving of a 40p fall to 320p in the price—but then the whole market was in retreat. There are a couple of features *to note. Because the US is now* covered by local manufacture under licence the underlying sales trend is better than it would appear—nearer to 32 per cent than the reported 24 per *cent. Even that was a bit below* the City's ambitious target but sales of the new Macrojet machine took longer to get going than envisaged. At the same time the cost base was stepped up to reflect the extra *effort of Macrojet and other* ideas coming along leaving the pre-tax line £200,000 light of analysts' forecasts. That is hardly cause for great complaint *even if* the full year will do no more than £3.4m against earlier hopes of £3.6m. A prospective p/e of 19½ is not cheap—Domino has never been that—but this could be the time for anybody with more than a short-*term view to back the company.*

APPOINTMENTS

Chairman of Norwest Holst

NORWEST HOLST has appointed to its main board Mr William Campbell Allan, deputy chairman of Gartmore Investment Management as chairman and Mr Murray Charlton, a retired partner of Deloitte *Haskins* and Sells, as a director.

*

Mr Paddy Foley, Mr Johannes Busch, Mme Saumura Sam and Mr Sandro Angelastri have been appointed directors of ROBERT FLEMING SECURITIES.

*

Mr Noel Blow has been appointed deputy managing director of Harlow Ueda Savage and a director of HARLOW UEDA SAVAGE (HOLDINGS). Mr Keith Holdsworth and Mr Alan Nicholls become directors of Harlow Ueda Savage. The following appointments have been made in Harlow Ueda Savage (Eurodollars): Mr Alan Isaacs, Mr Robert Knight, Mr Peter Lewis, Mr Peter Sanders—directors; Mr Steve Bailey, Mr Anthony Warrington—associate directors; Mr Kevin Germain, Mr Melvyn Jones, Mr Martin Turnbull, Mr Daniel Wilson—managers. Appointed at Harlow Ueda Savage (Foreign Exchange) are Mr Stuart Salisbury—director; Mr Ian Barrowclough, Mr Alan Hawkins, Mr John Lattimore—associate directors; and Mr Simon Embleton—manager.

*

STATE BANK OF NEW SOUTH WALES, London branch, has appointed Mr John Wooders, as senior manager finance and systems; and Mr Andrew Ferry as manager.

*

Mr Matthew Merritt has been appointed to the board of DENCORA, Beccles, where he has been company secretary since April 1985.

*

After 15 years with UNILEVER'S UK agricultural merchanting business, Mr Alan Wood, United Agricultural Merchants' chairman, has been appointed to a top executive post in Africa. In early 1987 he becomes managing director of Plantations Lever, Zaire. Mr John Knibbs, UAM's sales and operations director, is to take over as managing director of UAM on August 1.

Senior posts at Hogg Robinson

HOGG ROBINSON GROUP has appointed two key directors to its travel, transport and financial services division. Mr Derek Jewson, former general manager of sales for British Airways, joins as marketing director, and Mr Christopher Brown leaves J. Rothschild Holdings where he was director of planning, to become the division's finance director.

*

Mr Michael Hale has been appointed group managing director of GEI INTERNATIONAL *from* July 1. He was managing director of Glynwed International distribution division.

*

SCOTTISH TELEVISION has *elected* Mr Gavin Laird to its board as a non-executive director. He is the general secretary of the Amalgamated Engineering Union.

*

Mr Rodney G. Evans has been appointed an associate director of CONSULTANTS (COMPUTER & FINANCIAL). His *prime area of responsibility* will be that of group marketing. Mr Evans was divisional general manager of financial systems with Geac Computers.

*

HOWELLS MOTORS, part of the Chartered Trust Group, has re-organised its management structure. Mr W. J. Franklin has been appointed chairman—Howells Motors. He is deputy chairman of Chartered Trust and, until his recent retirement, was chief executive of Powell Duffryn. Mr R. E. Berry becomes chief executive and new appointments to the board include the senior management section of Howells: Mr B. J. W. Lewis, Mr D. J. Luker, Mr A. C. Page, Mr J. C. Pearce and two non-executive directors: Mr P. A. Barry and Mr B. P. F. Blake.

Mr R. S. C. Solomon becomes company secretary.

*

CHINACRAFT has appointed Mrs Carolyn Salcombe a director of the group holding company. Mr Geoffrey Edward has become a director of Chinacraft London, the group management company.

*

Mr Roderick S. H. Orr has joined the partnership of VIVIAN GRAY AND CO, stockbrokers.

*

At CROXLEY SECURITIES, Mr Alan Stewart Dennett has been appointed chairman and Mr David Ronald Silver a director.

*

Mr Peter Hanworth has been appointed chief executive of SEKERS FABRICS, a subsidiary of Sekers International. He will remain group financial director of Sekers International.

*

Mr Bob Wiper has been appointed by the NATIONAL FREIGHT CONSORTIUM as divisional director responsible for seven removals companies. He was national sales manager for Pickfords Removals.

*

Mr John M. Neill, group managing director of Unipart Group, has joined the board of ELECTRONIC RENTALS GROUP as a non-executive director.

*

GRAMPIAN HOLDINGS has appointed Mr Robert T. S. Russell as managing director of subsidiary Moffat Woollens. He joined from Reldan, where he was group managing director.

*

Following the acquisition of Cargo Fleet Chemicals (Holdings) ELLIS & EVERARD has agreed with ICI that it would be appropriate for petrochemicals and plastics division to be represented on the group board. Mr George Ewart, currently general manager of chemical products and plasticisers, has been nominated by ICI.

*

Mr W. Norman Hornsby has joined the board of F. W. HARMER (HOLDINGS), Norwich, as a non-executive director. He was a director of the Tootal Group.

*

Mr John Preston has been appointed finance director of J. T. PARRISH. He was treasurer of the Imperial Group.

*

Mr Robert Shute, currently project manager, becomes general manager and a director of AVON INDUSTRIAL POLYMERS.

*

At BARCLAYS DE ZOETE WEDD, Barclays Group investment bank, Mr Malcolm Walley, Mr Cameron McNeill, Mr Nigel Fox and Mr Jeremy Freddy are joining the international capital markets division from Shearson Lehman Brothers International to focus on swaps and the development of related products.

*

Mr Giles Weaver has been appointed to the newly-created position of managing director (Pensions Management) of PRUDENTIAL PORTFOLIO MANAGERS LIMITED (PPM), from September 1. He was a director of Ivory and Sime.

President of SBAC

Mr R. H. Robins, managing director of Rolls-Royce and vice-president of THE SOCIETY FOR BRITISH AEROSPACE COMPANIES (SBAC) for the past 12 months has been elected president for 1986/87. He takes over from Mr L. C. Hunting, chairman of the Hunting Group who now becomes deputy president. Mr T. Mayer, chief executive of Thorn EMI technology product group, has been elected vice-president while Mr A. H. Page, chairman of Smiths Industries has been re-elected treasurer.

*

Sir Derek Palmar has been appointed chairman of the Food, Drink and Packaging Machinery Economic Development Committee of NEDO in succession to Sir Kenneth Durham. Sir Derek is chairman of Bass, and vice-president of the Brewers' Society.

*

Mr Norman E. Price has been appointed managing director of SEAMLESS TUBES, Wednesfield. He was general manager, manufacturing, and succeeds Mr J. A. Davis, who has become supplies and transport director, British Steel Corporation.

*

Mr Philip Harper, previously production director of Aston Martin Lagonda, has been appointed managing director of VALOR BRUCE, Bicester.

*

Mr Terry Blinkhorne has been appointed associate director in charge of all dollar fixed income securities and Mr Jacques Crama is appointed associate director in charge of non-dollar fixed income securities at UNION BANK OF SWITZERLAND (SECURITIES).

LONDON RECENT ISSUES

EQUITIES

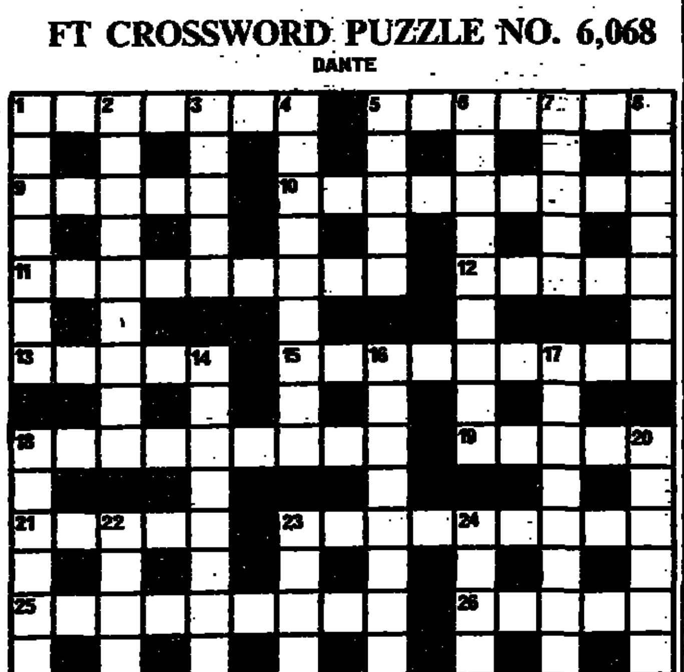
FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ✠ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ## Units comprising new ord. & Cnv. Cum. Red. Pref. shares.

FT CROSSWORD PUZZLE NO. 6,068

DANTE



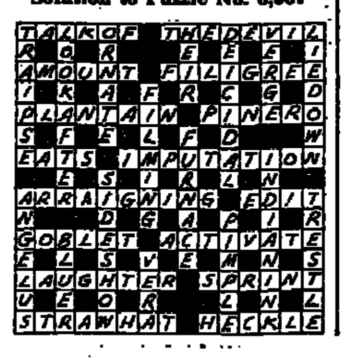
ACROSS

1 "Bony" ran Gaul in style (7)
5 A blood count? (7)
9 The thanks one gets in a letter from Greece (5)
10 Made to retire at an early age? (4,2,3)
11 An artist pores over the catalogue (9)
12 Get up about mid-morning to wash (5)
13 Goes out of play (5)
15 Prudent measures are not as clever as they seem (9)
18 Time to check the lines after casting? (9)
19 Record membership (5)
21 Ignition takes place at this point (5)
23 Parts—of a lady's wardrobe (9)
25 I must mix mid-Atlantic alcoholic drink (9)
26 Study on leave in Africa (5)
27 Clean up in Arundel, perhaps (7)
28 Get lean in order to be graceful (7)

DOWN

1 A whip-round held by the junior diplomat (7)
2 Time and place (9)
3 Minimal green space over the way (5)
4 Female takes over for the flower show (4,5)
5 A member of the lower class? (5)
6 Appearing every second (9)
7 Ancient city prohibition applies to all cities (5)
8 Speech written on an envelope? (7)
14 A dog hunts? This sort does (9)
16 Chemical Jack and Peter put out (9)
17 Land of Hope and Glory? (9)
18 No answer (7)
20 Give generously when there's a whip-round? (4,3)
22 Leave word in France (5)
23 A good case for a rise (5)
24 A trimming of lace, one gathers (5)

Solution to Puzzle No. 6,067



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	64 4	69 3xd	-1.5	1.6
Far East & Gn. Tst.	94 0	100 1	+1 3	1.0
Intl. Growth Tst.	66 9	71 2xd	-0.9	0.8
Income Tst.	83 7	90 1	-0 4	5 6
Japan Growth Tst.	115 0	123 7	+1.1	0.2
Small Cos. Tst.	115.6	124 4	-1 5	2.0
Tchnlgy. Tst.	32.7	35.1	-0 4	0 2
Australia Trust	35 3	37 9	-1.0	2.0
UK Trust	129 2	137 5xd	-1.8	2 7
European Growth Tst	47 5	50 6xd	-0 4	1.2
Hong Kong Tst	20.3	21.5	+0.1	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	14.4	15 4		0 15
Pacific Basin	12.9	13 7		0.2
Canadian Balncd Growth	60 3	64 4		0 98
Gnome Mae	100 3	104.2		7 8

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	58 0	59.7	-0.3	1.00
British Growth (z)	67 4	69.3	-0.7	1 50
British Income (z)	66 0	67.9	-0 4	4.50
British Extra Yield(z)	51.6	53 1xd	-0.2	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.3	68 4	-0 1	0 00
U S Govmt Bond F	0.504	0 507	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Central & Equity Tst	48.8	52.0	-0 9	7 64
Growth Trust	51 8	55 2	-1.0	2 22
Income Trust	54.0	57 5	+1.5	5 10

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	68.8	72 3	-0.2	2.86

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	123 4	131 3xd	-1.2	3 47

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy June 13	105 0		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop Ser 1	205 3	216.3	+0 4	—
Equity Ser 1	101.6	107 0	-2 0	—
Prop. Acc. Ser 2	276 4	291 0	+0 4	—
Equity Ser 2	110 4	116 3	-2 3	—
Selective Act.	237.2	249 7	-2 3	—
Prop. Ser. 4	218 2	229 7	+0.3	—
Equity Ser 4	113 9	119 9	-1.9	—
Fixed Int. Ser 4	194 4	204 7	-0 1	—
Indexed Inv. Ser. 4	115 4	121 5	+0 5	-
American Ser 4	258 5	272.2	-4 9	—
High Inc. Ser. 4	286 4	301 5	-3 7	—
Japan Ser 4	235 7	248 2	-1 7	-
Man Ser. 4	351.2	369.3	-2 8	—
Money Ser 4	193 9	204 3	+0 2	—
European Ser 4	109 9	115 7	+0 2	—

Cannon Assurance Ltd—Continued

Index	112.0	118.5	-0 1	
Far East	169 9	179 8	+0.6	
Global	94.5	100 0	-0 5	—
European	96 5	102.1	-0.4	—
Japan	103.7	109.7	+0 4	—
2nd Series Pension Accumulation				
Equity	498 1	527 3	-1.3	-
High Income	327 5	346 6	-0.8	—
Property	277 4	293.5		-
Managed	339.8	359 6	-2.8	—
Deposit	249 1	263.6		
Gilt	259.3	274 3	+0.3	—
American	385 9	408.4	-16.2	—
International Money	257 4	272 4	-0 4	—
Index	122 5	129.6		—
Far East	183 8	194 5	+0.7	—
Global	94.5	100 0	-0.6	—
European	97.0	102 6	-0.6	—
Japan	106 1	112 3	+0.6	—
Other Funds				
Equity Units		67 64	-0.13	—
Property Units		31.08		—
Equity Bond/Exec	42 24	44 70	-0.08	—
Property Bond Exec	28 42	30.07		—
Balanced Bond/Exec	33 60	35 56	-0 23	—
L&E SIF 1	110 0	116.5	-1.0	—
L&E SIF 2	72.0	76.5	-0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	106.0	112.0		—
Risk & Reward Bond	119 0	126.0		—
Murray Johnstone Fd	117.0	124.0	+1.0	—
Money Market Fd	100.0	106 0		—
Ivory & Sime Pens Fd.	99 0	105 0		—
Risk & Reward Pens Fd.	101 0	107 0		—
Murray Jnstone Pens Fd.	114.0	120.0		—
Money Market Pens Fd	100 0	106.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc.	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 24141

High Int Chq Acc.	10.13	7.57	10.97	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485

High Int Cheque Acc.	11.00	8.22	.....	Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	25	Marks & Spencer	18
BAT	38	Midland Bk.	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	28	Plessey	28
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	38	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons.	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	180	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brist. Oil & Min.	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

China discovers 'major oilfield'

By Max Wilkinson

THE DISCOVERY of what is described as a "major oilfield" in the Central Henan province of China was announced by the New China News Agency yesterday.

It said the field had reserves of 292.6m barrels of heavy oil in a 16.2 square kilometre area, although reserves might be as much as 700m barrels.

The agency said the oil is in shallow strata and easy to exploit. However, Western oil industry experts said yesterday that it was difficult to judge the significance of the find because the details reported were scanty and the province not open to the West.

Much would depend on how heavy the oil was and whether it could be recovered without expensive "tertiary" methods like heating up the oil to enable it to be removed from the reservoir.

UK halts strategic stockpile sales

By Kenneth Marston, Mining Editor

THE DEPARTMENT of Trade and Industry has confirmed that sales from the UK stockpile of strategic raw materials have been halted in view of the South African crisis. Only about one-quarter of the stock—the total is believed to have been worth some £50m—has been sold. No further sales are contemplated at the moment.

So far the UK Government view has been that such stocks should be financed by industry users rather than by government. The cessation of sales has been prompted by the fact that supplies of vital raw materials—notably platinum group metals needed by the petroleum and motor-car industries and the steel-hardening chrome—are mainly produced in South Africa.

Clearly, any trade sanctions, or the threat of such action, against South Africa could result in the cutting of supply lines of such raw materials and an eventual impact on UK industry and employment. It is, of course, possible that such supplies might be re-routed via "non-sanction" nations, to any Western buyers prepared to pay the inevitably higher prices demanded.

Platinum group metals, which are largely employed in the growing use of catalytic converters for the cleaning up of harmful exhaust emissions from automobiles and also in the production of high octane petrol, are mainly mined from South Africa's famous Merensky Reef in the Transvaal.

According to the Mining Journal's annual review, total western platinum demand last year rose to 91,073 kg. South African production expanded in line with a growing demand to 69,984 kg. The Canadian mines—notably Inco's nickel properties in Sudbury, Ontario, which produce platinum metals as a by-product—turned out 4,665 kg, output being checked by the depressed market for the associated nickel.

The other major producer of platinum is the Soviet Union which, after meeting domestic needs, earns foreign exchange by exporting to the free market in the West. Such supplies amounted to some 7,496 kg in 1985 and after taking in secondary (recycled) metal the West drew 3,889 kg from stocks in order to meet total demand.

A broadly similar picture emerges in the case of chrome, or chromite ore. World total output of marketable lumpy ore and concentrates last year is put at some 9.7m tonnes. Major suppliers were headed by South Africa (3.34m tonnes) followed by the Soviet Union (2.56m tonnes), Finland, Turkey and Greece (1.13m tonnes), Albania (920,000 tonnes) and Zimbabwe (480,000 tonnes).

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,400-2,500.

BISMUTH: European free market, minimum 99.99 per cent, $ per lb, tonne lots in warehouse, 2.35-2.55.

CADMIUM: European free market, minimum 99.95 per cent, $ per lb, in warehouse, ingots, 0.94-0.99, sticks 0.95-1.01.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 4.80-5.10.

MERCURY: European free market, minimum 99.99 per cent, $ per flask, in warehouse, 190-205.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.85-2.90.

SELENIUM: European free market, minimum 99.5 per cent, $ per lb, in warehouse, 3.40-3.70.

TUNGSTEN ORE: European free market, standard minimum 65 per cent, $ per tonne unit WO_3, cif, 47-56.

VANADIUM: European free market, minimum 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.50-2.55.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

IMF forecasts substantial commodity price falls

BY STEFAN WAGSTYL

THE PRICES of most commodities can be expected to fall substantially in 1986, says the International Monetary Fund in a wide-ranging report on commodities.

Apart from coffee, where supplies have been hit by drought in Brazil in late 1985, only a few commodities are forecast to rise in price significantly—sugar, tropical timber, hides and aluminium. "The prices of other commodities are projected either to continue to decline in 1986 or to increase by only modest amounts," says the IMF.

The major factor limiting price increases is the overhang of supplies, especially of food commodities. For food and other agricultural commodities only a large unforeseen reduction in 1986-87 harvests could change the position, says the IMF.

The influence of the stocks overhanging the market is reinforced by a fall in inflation during the current decade. These factors are likely to outweigh the effect on prices of continuing growth in world industrial production, even given the boost output is receiving from lower energy costs, says the IMF.

The IMF says that in 1980-85 US dollar commodity prices have averaged 7 per cent below the level of 1980 and 16 per cent below the average for 1960-80.

The sharp appreciation of the US dollar in the early 1980s played its part in this, says the IMF, but other factors were significant — falling inflation, low rates of economic growth, and relatively large supplies of commodities.

The report shows that while commodity production declined slightly in the depths of the recession of 1982-83, it recovered sharply to grow by 7.2 per cent in 1984 and a further 1.6 per cent in 1985. New production contributed to an increase in stocks in the 1980s in every year except 1983. As a result, supply, defined as beginning of year stocks plus production, increased every year in the 1980s, including a 4.5 per cent rise in 1984 and a 2.9 per cent increase last year.

Export earnings from commodities have been falling sharply — from $121.3bn in 1980 for 17 commodities, to $94.5bn last year. The decline has been more severe for industrialised countries, which saw a 29 per cent fall, than for developing countries whose earnings dropped 16 per cent, says the IMF. The difference is largely explained by the fact that earnings from coffee, tea and cocoa, rubber and palm oil, which are not exported by industrialised countries, held up better than metal earnings.

The highest increase in US dollar export earnings over 1980-85 was a 33.5 per cent rise in palm oil, followed by a 20 per cent rise in earnings from soyabean oil. By contrast, earnings from tin fell 52.7 per cent and copper earnings dropped 44.5 per cent.

Primary Commodities: Recent Developments and Outlook, Commodities Division of the Research Department, International Monetary Fund, Washington DC, US.

MPs attack food mountain costs

BY STEFAN WAGSTYL

THE Government's arrangements for storing the UK's food surpluses have come under attack from MPs on the powerful House of Commons Public Accounts Committee.

In a report published yesterday, the committee says it is concerned about the widening gap between the cost of holding stocks under the EEC's Common Agricultural Policy and the reimbursements received under the commission's rules.

The accumulated deficit from 1977-84 was £84m, of which some £54m arose in the two years to November 1984. "The indications are that this upward trend in the deficit is continuing," says the committee.

The MPs say they accept that there has to be a gap in order to encourage national governments to store food as cost-effectively as possible. They also accept that rising costs are partly explained by the increase in stocks over the period and higher interest rates.

However, the report accuses the Intervention Board for Agricultural Produce, the body which controls stocks, of being slow in using competition to bring down costs. It urges the board to put contracts out to tender instead of using existing ad hoc arrangements for the sake of flexibility.

The committee says it is "surprised that in 1985, with grain stocks at unprecedented levels, the Board still continued to hire all storage for one year only, and that only now is it thinking about longer-term contracts and options to extend hirings."

The IBAP has brought down the unit costs of storing cereals from £43 a tonne in 1980 to £39 in 1984 and of butter from £106 a tonne to £84 over the same period, says the report. But the cost of beef storage rose from £472 a tonne to £602 over the four years.

Arrangements for Intervention Commodity Stockholding in the United Kingdom, House of Commons Paper 243. HMSO. Price £4.

Consumers table cocoa pact proposal

COCOA CONSUMING countries represented at this week's Geneva negotiations on a new International Cocoa Agreement have tabled a detailed proposal for a price support range together with mechanisms for adjusting the range in response to changing market circumstances, reports Reuter.

The proposal, introduced at a contact group meeting attended by representatives of producing countries as well as consumers, calls for a reference price of 100 cents a lb with a "floor" price of 80 cents and a "ceiling" of 120 cents, which would trigger purchases for or sales from the Agreement's buffer stock.

These prices would be subject to semi-automatic adjustment arrangements based on an annual review by the International Cocoa Council, which administers the pact. The Council would review the prices as close to the end of the cocoa year as possible, taking into account such factors as "the trend of cocoa prices, consumption, production and stocks, the influence on cocoa prices of changes in the world economic or monetary situation and the financial position of the buffer stock."

If the average of International Cocoa Organisation (ICCO) indicator prices over the previous 12 months was outside the target range the Council would have 10 days in which to agree the semi-automatic mechanism which would come into play and the prices would be revised upwards or downwards in order to bring the indicator price average 3 cents inside the new range. But the maximum revision would be 8 cents.

The document also proposes that price range revisions should be triggered when, within a six month period, net purchases or sales by the buffer stock reach 50,000 tonnes. Once again the Council would be required to agree a revision within 10 days and if it failed an automatic adjustment (upwards or downwards) of 6 cents a pound would be triggered.

Our commodities staff writes: Producers were meeting yesterday to consider their response to the proposals, which are not substantially different from those which prompted the Ivory Coast, the world's biggest cocoa producer, to walk out of the last negotiating session in February. The reference price is the same and the consumers are still demanding the semi-automatic adjustments to which Mr Denis Bra Kanon, the Ivorian Agriculture Minister, was referring when he said after the February walk-out that his country could not support an agreement that encouraged price speculation.

At the last session the producers were insisting on a reference price of 115 cents a pound against a market price at the time of just under 100 cents. Since then, however, the ICCO indicator has slipped to 87 cents a pound.

Ethiopia sets out its stall for foreign oil explorers

BY MARIA KIELMAS

IT MAY seem strange that, in the midst of the falling oil prices, Ethiopia is inviting foreign companies to explore for oil on its territory. On the basis of comparisons with oil provinces in Sudan and Yemen, Ethiopians feel that the prospects for discoveries are high. But, given the political conflicts and starvation in the region, why should any company look for oil in Ethiopia?

Ethiopia is one of the world's lowest per capita consumers of energy, 245 kg of oil equivalent. Biomass fuels — animal and vegetable wastes — account for 93 per cent of this total. Only about 20 per cent of the country's 60bn GWH hydroelectric potential is tapped — when the rains are compliant. However, the main source of commercial energy is petroleum. The import bill for a domestic consumption of 24,000 barrels/day drains over 50 per cent of Ethiopia's foreign currency earnings.

A Petroleum Exploration Promotion Project was begun in 1983 using $2.5m of financial support from the World Bank and United Nations Development Programme. French consultants Bureau d'Etudes Industrielles de l'Institut Français du Pétrole (BEICIP) was enlisted to provide a technical evaluation which was presented to nine interested companies on April 8-11 in Addis Ababa.

The Government has opened up 25 blocks for exploration bids, covering a total of 349,500 sq km. Approximately two-thirds of them—15 blocks in all—lie in the Ogaden. A further nine blocks are offered offshore in the Red Sea and one in the Gambela area adjacent to the border with southern Sudan.

Discoveries of oil in Sudan, where reserves in a number of fields run in excess of 500m barrels, and of the 500m-barrel Alif oilfield in North Yemen, have increased interest in the Horn of Africa.

The Government is continuing exploration in reserved areas of the Ogaden, using assistance from the Soviet Union. The Calub gas field, holding reserves of 1bn cu metres, is due to be developed next year.

New petroleum legislation and a production-sharing agreement were issued this year.

State participation in any commercial oil or gas discovery would be limited to a maximum of 20 per cent. The Government would pay its share of development and production costs, although it is still uncertain whether it will reimburse companies for its acquired share of exploration expenditure. After cost recovery, also subject to negotiation, and royalty payments of up to 5 per cent for gas and 12.5 per cent for oil, companies will face a 50 per cent income tax.

Assefa Telahun, vice-minister of mines and energy, says it is too soon to comment on the oil industry response to date.

Shrinking budgets have caused companies to be particularly selective over where they place their scarce funds, if they explore at all. For those with some money to spend, chiefly the major oil companies, the feeling is that now, when the oil market is depressed and companies with cash difficulties are shedding assets, is the time to acquire prime acreage. Companies are prepared to look at areas where the prospects are good, and where there is no immediate commitment to spend a great deal of money, such as not having to drill expensive exploration wells for two to three years.

Some observers judge the Ethiopian provisions as insufficient to attract much interest. One exasperated oilman commented: "The World Bank should stop writing contracts for countries as if we were still in the oil boom years of 1980-81. They don't seem to understand this business. They should advise countries to get something going by offering such highly attractive terms that they go down and look. But as soon as we find something we expect them to tighten up."

Operations in the Ogaden would be expensive. All equipment and supplies would probably have to be flown in. Development of any discoveries would require the building of pipelines and harbour facilities. Even costs of seismic exploration could be in the region of $10,000 per kilometre if not more. There is also little confidence in government assertions that the border conflict with Somalia has been resolved.

Nevertheless, a more optimistic observer countered, "Why, 20 or 30 years ago did oil companies venture into Libya? Why, five or six years ago did they go into North Yemen? Oil companies are used to taking risks . . . there will always be some which will want to try their chance."

LONDON MARKETS

COFFEE PRICES on the London futures market continued the cautious recovery which began on Monday afternoon but finished below the day's highs. The September position, which had dipped to a nine-month low of £1,600 a tonne during the day on Monday, closed yesterday at £1,645.50 a tonne, up £14. Dealers said there was no fresh fundamental news and continued forecasts of mild weather in the Brazilian growing belt kept the rally well in check. On the cocoa market meanwhile futures values lost about half of Monday's gains with the September position closing £10.50 down at £1,310.50 a tonne. Dealers attributed the fall to easiness in the New York market and pressure from West African producer sales. On the London Metal Exchange the weakness of Wall Street coupled with an apparent sell-out of dollar based option contracts led to another sharp fall in copper prices. The cash Grade A contract fell to £870.50 a tonne, adding £24 to Monday's £18 fall.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

July 8	July 7	M'th ago	Year ago
1412.8	1434.4	1598.7	1744.5

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 7	July 3	Month ago	Year ago
Spot	125.21	124.83	—	117.50
Fut.	111.72	112.57	—	118.17

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 8 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1215/255	-5	$1335/355
Copper			
Cash Grade A	£870.5	-24	£952.25
3 mths	£882.5	-23.25	£953.25
Gold Troy oz	$347.25	+2.5	$349
Lead Cash	£240.5	-13.25	£272
3 mths	£245.5	-11.25	£277
Nickel			
Free Mkt	177/187c	+1	180/210c
Palladium oz	$111.75	-0.5	$111.75
Platinum oz	$438.25	+8	$440.25
Quicksilver†	$195/205		$210/220
Silver troy oz	331.85p	+3.85	351.45p
3 months	339.85p	+3.90	359.45p
Tin			
free mkt	£3600/650		£3620/60
Tungsten	$54.42		$59.13
Wolfram 22.0lb	$48/50		$48/50
Zinc	£506.5	-9.25	£542
3 months	£508.75	-9.5	£544
producers	$840		$800
OILS			
Coconut (Phil)	$225y	5	$250
Palm Malayan	$255x		$247.5
Copra Phil	$160y		$160
Soyabean (U.S.)	$151y		$150
GRAINS			
Barley Fut. Sept.	£98.65	-0.20	£98.40
Maize	£135.00		£138.00
Wheat Fut Sept.	£99.30	-0.20	£99.75
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1310	-10.5	£1342.5
Coffee Ft. Sept	£1645.5	+14	£1873
Cotton A Ind.*	38.70c	-0.10	41.95c
Gas Oil Aug.	$95.25	-3.25	$115.75
Rubber (kilo)	56.5p	+0.5	57.5p
Sugar (raw)	$134.5y	-10	$164.5
Wooltops 64s	398p kilo		422p kilo

‡ Unquoted. † Per 75 lb flask. c Cents per pound. y July-Aug. z Aug. w Aug-Sept. x Oct. * Cotton Outlook.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	733.5-4	-1.25	731/730.5
3 months	744.5 5	-1	747/743

Official closing (am): Cash 730.5-1 (734-4.5), three months 742-2.5 (744-4.5), settlement 731 (734.5). Final Kerb close: 749-50. Turnover: 13,700 tonnes.

COPPER

Grade A	Unofficial close	+ or —	High/low
Cash	870-1	-24	871/869
3 months	882-3	-23.25	886/878

Official closing (am): Cash 868-9 (900-1), three month 883-4 (906-7), settlement 869 (901). Final Kerb close: 888-9.

Standard			
Cash	830-5	29.5	852/824
3 months	856-61	25.5	902/878

Official closing (am): Cash 824.5 (860-1), three months 858-60 (884-5), settlement 825 (861). US Producer prices 63.50-69 cents a pound. Total Turnover: 32,800 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	240-1	-13.25	245.5/245
3 months	245-6	-11.25	253/246

Official closing (am): Cash 245-5.5 (254.5-5), three months 250-50.5 (258.5-9), settlement 245.5 (255). Final Kerb close: 246.5-7. Turnover: 14,600 tonnes. US Spot: 22.25-24 cents a pound.

NICKEL

Official closing (am): Cash 2,535-40 (2,510-5), three months 2,570-1 (2,565-6), settlement 2,540 (2,515). Final Kerb close: 2,585-90. Turnover: 1,098 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or —	High, low
Cash	2545-50	+20	—
3 months	2580-5	-7.5	2590/2540

TIN

KUALA LUMPUR TIN MARKET—Close: 14.26 (14.30) ringgit per kg. Down 0.04.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	506-7	-9.25	512.5
3 months	508.5-9	-9.5	520/505

Official closing (am): Cash 512.5-3 (517-8), three months 515.5-6 (520-1), settlement 513 (518). Final Kerb close: 509-10. Turnover: 14,700 tonnes. US Prime Western: 41.50-44.75 cents a pound.

GOLD

Gold rose $2½ an ounce from Monday's close in the London bullion market yesterday to finish at $347-347½. The metal opened at $344¼-344¾ and traded between a high of $348-348¾ and a low of $344¼-344¾. Dealers reported large buying from one source but also suggested that a recent fall in Wall Street helped sentiment. Early demand was continued after New York opened.

GOLD BULLION (fine ounce)	July 8	
Close	$347-347½	(£226¼-226½)
Opening	$344¼-344¾	(£224¼-224¾)
M'n'g fix	$346.50	(£225.659)
Aft'n'n fix	$347.85	(£225.481)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$344-346	(£224½-226)
½ Krug	$182¼-183½	(£119-119¾)
¼ Krug	$93½-93½	(£60¼-61)
1/10 Krug	$40½-41½	(£26½-27)
Mapleleaf	$356¼-359¼	(£232½-234½)
Angel	$354-357	(£231¼-233)
1/10 Angel	$35½-38½	(£23¼-25¼)
New Sov.	$82-84	(£53½-54¾)
Old Sov.	$87-88½	(£56¾-57¾)
$20 Eagle	$425-475	(£277½-310¼)
NoblePlat	$450½-455½	(£294¼-297½)

SILVER

Silver was fixed 3.85p an ounce higher for spot delivery in the London bullion market yesterday at 331.85p. US cent equivalents of the fixing levels were: Spot 510.25c, up 4.6c; three-month 518.5c, up 4.55c; six-month 527.15c, up 4.8c; and 12-month 543.7c, up 3.55c. The metal opened at 329½-332p (506-508c) and closed at 333-334½p (512-514c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	331.85p	+3.85	331p	+1.5
3 months	339.85p	+3.90	339p	+1.65
6 months	347.80p	+4.05	—	—
12 months	362.95p	+5.15	—	—

LME—Turnover: 15 (35) lots of 10,000 ounces.

Three months high 339p, low 338p, final kerb 338.5-9.6p.

MEAT

Cash pig prices closed on a slightly firmer note. Live cattle prices closed unchanged, reports Eastern Capital CCST.

Month	PIGMEAT Y'day's close	+ or —	BEEF Y'day's close	+ or —
July	—	—	—	—
Aug	100.50	—	163.00	+1.50
Sept	106.50	-0.20	163.00	—

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.74p per kg lw (-0.32). GB—Sheep 167.54p per kg est dcw (+9.64). GB—Pigs 72.79p per kg lw (+0.74).

Cattle sales: 35 lots of 5,000 kgs. Pigs sales: 12 lots of 3,250 kgs.

MEAT

Month	LIVE CATTLE Y'day's close	+ or —	LIVE PIGS Y'day's close	+ or —
Aug	98.00	-0.50	99.00	—
Sept	97.00	+0.50		
Oct	98.80	-0.50	103.30	+0.30
Nov	99.50	-4.50	104.30	-0.80
Jan	99.00	-0.50		
Feb	99.00	-0.50	100.00	+0.50

COCOA

Futures opened steadier but failed to hold the gains and lost ground gradually to close on a weak note. Some light producer interest was seen at the highs but consumers were content to remain out of the market, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1282-1283	-5.5	1296-1279
Sept	1310-1311	-10.5	1333-1310
Dec	1351-1352	-9.0	1370-1350
March	1387-1388	-1.5	1402-1382
May	1410-1412	+5.5	1418-1405
July	1415-1426	-1.0	1432-1425
Sept	1427-1442	-4.5	1448-1444

Sales: 3,661 (3,193) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for July 8: 89.16 (89.57). Five-day average for July 9: 88.56 (88.42).

COFFEE

Despite a promising morning the market failed to find any major support, reports Drexel Burnham Lambert. After making gains of up to £43 by early afternoon a lack of follow-through on a technical or fundamental basis again proved too much to ask. Prices declined against a weak New York market. Although industry showed interest, little physical offtake was apparent.

COFFEE	Yesterday Close	+ or —	Business Done
July	1610-1615	+14.0	1644-1610
Sept	1645-1646	+14.0	1675-1641
Nov	1680-1682	+16.0	1710-1675
Jan	1715-1719	+12.0	1745-1710
Mar	1740-1746	+10.5	1775-1740
May	1772-1775	+13.5	1798-1777
July	1780-1820	+10.0	—

Sales: 5,255 (2,379) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 7: Comp daily 1979 137.28 (138.31); 15-day average 146.06 (147.04).

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business Done
August	119.4-119.7	+0.55	118.7
October	120.5-121.0	+0.05	—
Dec	120.5-120.8	+0.25	—
Feb	123.5-124.0	+0.25	—
Apr	124.0-125.0	—	—
June	121.5-125.5	-0.60	—
August	127.5-125.0	-0.25	—

Sales: 79 (31) lots of 20 tonnes.

GRAINS

Mnth	WHEAT Yesterday's close	+ or —	BARLEY Yest'rdy's close	+ or —
July	115.50	+1.00	—	—
Sept	99.30	-0.20	98.65	-0.20
Nov	102.35	-0.20	102.25	-0.15
Jan	106.35	-0.20	105.30	-0.20
Mar	107.85	-0.15	107.80	-0.15
May	110.35	-0.15	109.40	-0.15

Business done—Wheat: July 115.50-5.00, Sept 99.30-9.10, Nov 102.40-2.20, Jan 105.30, March 107.95-7.75, May untraded. Sales: 60 lots of 100 tonnes. Barley: Sept untraded, Nov 102.40-2.20, Jan 105.40-5.30, March 107.75, May untraded. Sales: 24 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 15 per cent: Aug 92.75, Sept 92.25, Oct 93.75 sellers, transhipment East Coast. US No. 2 Soft Red Winter: Aug 85.75, Sept 87.00, Oct 88.00. EEC second-half July 117.00. English feed, fob: Sept 101.00-101.75, Oct / Dec 106.75-106.50, Jan / March 110.75-111.50, April-June 114.50-115.25 buyers/sellers. Maize: US No. 3 Yellow/French transhipment East Coast: July 135.00. Barley: English feed, fob: Aug 99.50-100.00, Sept 101.00-102.50, Oct/Dec 106.00-106.50, Jan-March 110.75-111.50 buyers/sellers.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 96.80, W. Midlands 93.00. The UK monetary coefficient for the week beginning Monday, July 14 (based on HGCA calculations using five days' exchange rates) is expected to be unchanged.

SUGAR

LONDON DAILY PRICE—Raw sugar $134.50 (£87.50), down $10.00 (down £6.00) a tonne for July-August delivery. White sugar $166.00, down $8.50.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne F.O.B.		
Aug	118.2-118.6	125.0-124.0	128.0-119.8
Oct	129.2-129.4	135.0-135.2	136.2-127.4
Dec	132.6-134.0	138.0-139.0	141.0-148.0
Mar	142.4-142.6	146.0-146.6	149.4-142.0
May	146.0-146.6	150.2-150.8	152.8-152.0
Aug	150.6-151.2	154.0-156.2	157.0-155.4
Oct	152.0-154.2	158.0-159.2	158.8

Sales: 525 (424) lots of 50 tonnes.

Sales: 4,312 lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £188.50 (£195.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for July 7: Daily price 5.36 (5.55); 15-day average 5.81 (5.87).

PARIS—(FFr per tonne): Aug 1160-1185, Oct 1210-1220, Dec 1230-1250, Mar 1290-1295, May 1330-1345, Aug 1372-1382.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
Apr.	[illegible]	[illegible]	[illegible]
BFI	681.0		681.0

Turnover: 106 (62).

	Close	High/Low	Prev.
Tankers			
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
BTI	[illegible]	[illegible]	[illegible]

Turnover: 40 (45).

POTATOES

The market was extremely nervous, opening 2p higher but dropping back to unchanged only to gather strength once more. Over the lunch break the Dutch market firmed considerably, which sparked fresh buying interest on the reopening, pushing April to a contract traded high of £182.40 and although the market fell back at the close it still marked a new contract closing high for the season. Rainy and the possible benefit therefrom were cancelled out by rumours that only 152,000 hectares had been planted, reports Coley and Harper.

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Sales: 2,670 (1,790) lots of 40 tonnes.

Earlies—July 104.50, Sept 107.50, [illegible] 105.00, [illegible]. Sales: Nil lots of 10 tonnes.

US MARKETS

AN ATTEMPT on the sugar market to recoup Monday's losses proved to be very short-lived, reports Heinold. The leading October position in New York, which had dipped to important medium-term objectives at 5.75c in Monday's trading, saw some brisk short-covering on the opening and rose above 6c, with news of a pick-up in interest on the European physical market adding to what many saw as a technical correction to the recent weakness. However, commission house liquidation soon erased the gains and the market dropped to new lows just above 5.5c. The slide in the crude oil markets appeared to slow down a little, with light speculative profit-taking helping to form a tenuous support around $11 in the prompt August contract for most of the session. Traders nevertheless reported no sign of a reversal of the recent downtrend.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
July	51.75	51.70	51.50	52.05
Aug	52.05	—	—	52.35
Sept	52.40	52.40	52.05	52.70
Dec	52.95	53.00	52.75	53.15
Jan	53.10	—	—	53.30
March	53.45	53.40	53.00	52.60
May	53.70	—	—	53.80
July	53.90	—	—	54.00
Sept	54.10	—	—	54.15
Dec	54.30	—	—	54.37

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	1800	1810	1795	1803
Sept	1848	1879	1842	1858
Dec	1897	1938	1894	1918
March	1945	1975	1944	1961
May	1974	1996	1975	1990
July	2000	2020	1995	2013
Sept	2020	2040	2020	2030
Dec	2057	—	—	2055

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
July	160.25	164.00	156.50	164.00
Sept	163.78	166.50	158.05	164.31
Dec	167.87	170.50	164.89	168.89
March	170.96	174.00	168.08	172.08
May	173.00	175.50	170.35	174.35
July	175.50	—	—	177.10
Sept	176.75	—	—	179.10
Dec	177.25	—	—	176.00

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
July	58.35	58.95	58.25	59.00
Aug	58.50	—	—	59.30
Sept	58.85	59.50	58.80	59.70
Dec	59.65	60.25	59.60	60.40
Jan	59.80	60.10	60.05	60.55
March	60.15	60.60	60.20	60.90
May	60.50	60.90	60.80	61.20
July	60.85	61.10	60.75	61.45
Sept	61.15	61.45	61.40	61.70

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
July	68.70	69.70	69.35	69.50
Oct	31.97	32.30	31.80	32.36
Dec	32.14	32.45	31.92	32.39
March	32.87	33.10	32.75	33.15
May	33.60	33.80	33.60	33.78
July	34.30	34.65	34.29	34.48
Oct	35.55	35.85	35.62	35.72
Dec	36.60	37.00	36.60	36.95

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
August	11.11	11.35	10.98	11.19
Sept	11.17	11.36	10.96	11.16
Oct	11.36	11.45	11.06	11.27
Nov	11.55	11.60	11.25	11.44
Dec	11.75	11.75	11.45	11.61
Jan	11.70	11.80	11.56	11.70
Feb	11.75	11.83	11.60	11.78
March	11.75	11.90	11.65	11.84
April	11.85	12.00	11.70	11.90
May	11.95	12.00	11.95	11.96

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	349.7	350.0	349.0	344.4
Aug	351.2	352.0	348.3	345.9
Sept	352.9	—	—	350.8
Oct	354.3	355.0	351.5	348.9
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US gallons, cents/US gallon

	Latest	High	Low	Prev
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	104.30	104.90	104.40	104.90
Sept	104.75	104.90	104.20	104.90
Nov	105.50	105.75	105.50	105.95
Jan	107.25	107.25	106.20	107.50
March	106.20	108.70	106.20	109.00
May	109.30	—	—	110.00
July	110.30	—	—	111.00
Sept	111.30	111.40	111.40	112.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	439.8	447.0	436.0	436.2
Oct	442.8	444.0	439.2	431.7
Jan	445.3	447.0	442.0	440.7
April	448.5	447.9	446.0	443.7
July	452.3	451.0	450.0	447.2

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	513.2	516.0	510.0	500.5
Aug	516.1	—	—	509.3
Sept	518.5	521.0	515.0	511.7
Dec	527.2	529.5	524.0	520.1
Jan	530.1	530.0	530.0	522.9
March	535.7	570.0	530.0	528.4
May	541.6	544.0	540.5	534.2
July	547.3	—	—	539.8
Sept	553.7	—	—	546.0
Dec	563.5	560.0	560.0	555.5

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Sept	5.40	5.79	5.40	5.60
Oct	5.51	6.06	5.53	5.85
Jan	5.80	6.05	5.93	5.98
March	6.29	6.64	6.00	6.45
May	6.49	6.80	6.48	6.61
July	6.67	6.93	6.67	6.75
Sept	6.38	6.98	6.98	6.95
Oct	6.85	7.08	6.85	7.00

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Aug	56.32	57.75	56.32	57.62
Oct	54.82	56.05	54.77	56.25
Dec	55.25	56.40	55.25	56.56
Feb	54.17	55.25	54.15	56.20
April	55.50	56.80	55.50	56.70
June	56.15	57.00	56.15	57.60

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	60.05	61.65	60.05	61.55
Aug	56.57	58.05	56.55	58.05
Oct	51.47	52.60	51.05	52.95
Dec	50.83	52.60	50.35	51.70
Feb	48.97	49.75	48.50	49.75
April	44.25	44.50	43.50	44.60
June	45.30	45.70	44.90	45.72
July	45.35	45.40	45.00	46.00

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	194.2	195.4	191.0	191.2
Sept	175.2	178.2	175.0	175.0
Dec	177.0	179.6	176.6	177.6
March	186.0	188.6	186.0	186.6
May	191.0	193.2	190.6	191.6
July	192.0	194.8	192.0	193.0
Sept	184.0	187.0	184.0	185.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	89.40	90.90	89.40	91.30
August	86.10	87.45	86.10	88.10
Feb	71.15	74.10	71.10	73.02
March	70.00	72.40	69.80	71.55
May	68.00	69.65	67.80	68.80
July	63.30	65.00	63.30	65.02

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
July	521.2	522.6	518.4	517.0
August	505.4	509.0	501.0	502.4
Sept	490.6	494.4	482.4	486.2
Nov	488.2	494.0	486.0	484.0
Jan	497.0	501.4	496.6	492.6
March	505.6	510.0	505.4	502.0
May	511.4	517.0	511.0	507.4
July	514.0	517.4	514.0	510.0
August	512.4	515.4	512.4	508.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	148.1	148.8	146.8	146.9
Aug	143.0	143.9	142.7	142.3
Sept	140.2	141.5	139.7	139.7
Oct	138.8	141.0	138.0	138.3
Dec	141.3	142.7	140.2	140.2
Jan	142.1	143.5	142.1	141.3
March	144.5	145.0	144.0	144.0
May	147.7	148.5	147.0	146.8
July	150.2	—	—	148.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	16.55	16.57	16.42	16.40
Aug	16.63	16.67	16.52	16.48
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

SPOT PRICES—Chicago loose lard 13.50 (same) cents per pound. Handy and Harman silver bullion 511.0 (507.5) cents per troy ounce.

RUBBER

PHYSICALS — The London market opened slightly steadier, attracted little interest at the higher levels and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 56.50p (56.00p); Aug 55.50p (55.25p); Sept 55.50p (55.25p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No. 1 206.5 (202.0) and SMR 20 187.0 (187.5). FUTURES—Index: Sept 549-550, Oct-Dec 548-552, Jan-March 557-566, April-June 570-578, July-Sept 572-578. Sales: Nil.

OIL

Forward Brent and Dubai traded actively. August Dubai fell gradually from $9.39 to $8.10. August Brent traded down to $9.65 and September to $9.90. August WTI on Nymex opened 4c down and traded 12c down at 1.30 pm EDT. In the petroleum products market fuel oil trading was quiet. Gasoline, naphtha and gas oil were all weaker in thin trade — Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—July	Latest	+ or —
Arab Light	—	—
Dubai	8.05-8.15*	-0.35
Brent Blend	9.65-9.75*	-0.35
W.T.I. (1 pm est)	11.30-11.35*	-0.00
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	147-152	-3.5
Gas Oil	99-102	-1
Heavy fuel oil	46-48	-0.5
Naphtha	86-88	—

* August.

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yesterday's Close	+ or —	Business Done
	US $ per tonne		
July	96.50	-4.50	[illegible]
Aug	95.25	-3.25	[illegible]
Sep	96.50	-2.00	[illegible]
Oct	98.00	-2.00	[illegible]
Nov	100.00	-1.00	[illegible]
Dec	105.00	-1.00	[illegible]
Jan	110.50	-1.00	—

Turnover: 4,702 (2,250) lots of 100 tonnes.

JUTE

JUTE—July-Aug c and f Dundee: BTC $380, BWC $380, BTD $340, BWD $340. c and f Antwerp: BTC $380, BWC $380, BTD $330.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slightly weaker

Trading finished in London on a rather cautious note yesterday. The dollar was a little weaker overall and factors pointed towards a continued decline but there was no concerted move to run too short. This reflected current uncertainties and the odd bout of shortcovering in the wake of sharp gyrations earlier in the week.

Today sees the end of a two-day meeting of the Federal open market committee which many dealers believe will result in a cut in the US discount rate. However there have already been a few dissenting voices in view of the US economy's lack of response so far this year to a large fall in the dollar's value and also a continued above target growth rate in US money supply. Nevertheless many traders expect a cut in the discount rate and probably a similar move at least in Japan. With no new bearish factors emerging yesterday, the market was content to show repect to the possibility of central bank intervention.

The dollar closed at DM 2.1805 from DM 2.1835 and Y160.85 compared with Y160.75. Against the Swiss franc it slipped to SFr 1.7740 from SFr 1.7810 and FFr 6.9850 from FFr 6.9875. On Bank of England figures, the dollar's exchange rate index was 113.8 from 113.5.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3790. June average 1.5089. Exchange rate index finished at 75.9 from 75.8 at the opening and Monday's close. The six months ago figure was 77.9.

Sterling finished on a slightly weaker note but was largely ignored. Poor money supply figures and a small rise in money rates provided little comfort while low oil prices provided a background worry. Against the dollar it eased to $1.5305 from $1.5345 and DM 3.3375 from DM 3.3500. It was also lower against the yen at Y246.25 from Y246.75. Elsewhere it slipped to SFr 2.7150 from SFr 2.7325 and FFr 10.69 compared with FFr 10.7325.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. June average 2.2320. Exchange rate index 135.7 against 131.7 six months ago.

The D-mark was confined to a fairly narrow range against the dollar in Frankfurt yesterday as the market awaited fresh developments. Most agreed that the US discount rate was likely to be cut regardless of any similar move in West Germany or Japan. However, downward pressure on the dollar was held in check by fears of central bank intervention to prevent another free fall in the dollar. The next clue to the state of the US economy is not due until Friday when the US producer price index is announced. The dollar was fixed at DM 2.1735 compared with DM 2.1694 on Monday. It closed at DM 2.1710 from DM 2.1705 on Monday.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 160.50. June average 167.50. Exchange rate index 212.3 against 176.2 six months ago.

The yen was higher in Tokyo yesterday as the dollar fell back from the highs touched in New York. The US unit now appears to have adjusted itself after the recent sharp fall and recovery. It closed yesterday at Y160.65 down from Y162.25 in New York but up from Y159.25 in Tokyo on Monday. The dollar's bearish sentiment was likely to prove decisive in the long terms, most dealers agreed, although there was a certain amount of caution in pushing the dollar weaker, following strong intervention on Monday and most of last week by the Bank of Japan.

£ IN NEW YORK

July 8	Latest	Prev. close
£ Spot	$1.5320-1.5330	$1.5290-1.5300
1 month	0.45-0.42pm	0.47-0.46pm
3 months	1.22-1.19pm	1.24-1.22pm
12 months	3.98-3.88pm	4.07-4.00pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

July 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5300-1.5460	1.5300-1.5310	0.46-0.43c pm	3.49	1.26-1.21 pm	3.23
Canada	2.1131-1.1285	2.1135-2.1155	0.33-0.24c pm	1.62	0.86-0.68 pm	1.46
Nethlnd.	3.75-3.77	3.75¼-3.76¼	1⅛-1⅛c pm	3.99	3⅛-3⅛ pm	3.79
Belgium	68.30-68.75	68.30-68.40	21-16c pm	3.25	53-46 pm	2.90
Denmark	12.42¾-12.48¾	12.43-12.44	2⅛-1⅛ore pm	1.75	4⅛-3⅛ pm	1.37
Ireland	1.085-1.1115	1.1100-1.1110	0.12-0.06p pm	0.92	0.30-0.10 pm	0.72

CURRENCY MOVEMENTS

July 8	Bank of England Index	Morgan Guaranty Change %
Sterling	75.9	−15.7
U.S. dollar	113.8	+4.6
Canadian dollar	78.7	−12.1
Austrian schilling	127.3	+ 7.1

CURRENCY RATES

OTHER CURRENCIES

STERLING INDEX

	July 8	Previous
8.30 am	75.8	76.1
9.00 am	75.8	76.1
10.00 am	75.8	75.9
11.00 am	75.8	76.0
Noon	75.8	75.9
1.00 pm	75.8	75.9
2.00 pm	75.8	75.9
3.00 pm	76.0	75.9
4.00 pm	75.9	75.8

DOLLAR SPOT—FORWARD AGAINST DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: two years 7⅛-7⅛ per cent; three years 7½-7¾ per cent; four years 7¾-8 per cent; five years 8-8¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 8	% change from central rate	% change adjusted for divergence	Divergence limit %
German D-mark	2.13834	2.14232			
French Franc	6.96280	6.87144			
Dutch Guilder	2.40935	2.41256			
Irish Punt	0.712956	0.710321			
Italian Lira	1496.21	1489.70			

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Prices fall

Prices fell sharply in the London International Financial Futures Exchange yesterday. Sterling based instruments were depressed by another disappointing set of UK money supply figures while Euro-dollars and US bonds suffered from last minute nerves as some questioned the inevitability of a cut in the US discount rate. Euro-dollars for September delivery opened at 93.51 and stayed around this level initially on good two way business. Selling by US houses later in the morning and aggressive selling in Chicago saw prices fall through a 93.46 support level to finish at 93.42 down from 93.53.

The decline was described as more controlled selling than a panic gesture with a good deal of optimism still evident. US bonds acted in much the sam way with a sharp fall in the afternoon triggered by stop loss selling. However after touching a low of 98-04, the September contract recovered to finish at 98-16 still down sharply from 100-09 on Monday.

Short sterling's decline reflected the market's rather sombre mood. Cash rates were a shade firmer after poor money supply and bank lending figures

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	6.63	7.37	—	—	0.17	1.07	—	—
118	6.18	6.08	—	—	0.36	1.42	—	—
120	3.51	4.54	—	—	1.05	2.24	—	—
122	2.36	3.48	—	—	1.54	3.18	—	—
124	1.40	2.63	—	—	2.58	4.23	—	—
126	0.61	2.05	—	—	4.16	5.39	—	—
128	0.34	1.31	—	—	5.52	7.01	—	—
130	0.17	1.02	—	—	7.35	8.36	—	—

Estimated volume total, Calls 1,215, Puts 324

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	10.36	10.30	—	—	0.04	0.44	—	—
90	8.42	8.54	—	—	0.10	1.04	—	—
92	6.55	7.23	—	—	0.23	1.37	—	—
94	5.14	6.00	—	—	0.46	2.14	—	—
96	3.50	4.52	—	—	1.18	3.02	—	—
98	2.39	3.51	—	—	2.07	4.01	—	—
100	1.44	2.60	—	—	3.12	5.10	—	—
102	1.02	2.14	—	—	4.34	6.28	—	—

Estimated volume total, Calls 89, Puts 26

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

CHICAGO

LIFFE

CURRENCY FUTURES

London & Scottish banks' balances

as at June 18 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

MONEY MARKETS

UK rates up on poor money supply

Period rates were slightly firmer in London yesterday following disappointing money supply figures. A 1½ per cent rise in M3 gave an annualised growth rate of 19½ per cent, still well above the 11-15 per cent target range. Dealers are now looking more and more towards the US and Japan to provide a cut in their discount rates since the chances of UK interest rates falling otherwise are becoming increasingly remote.

Some traders sugested that a fall in UK base rates would not be automatic and that activity over the next month or so would be very subdued.

Three-month interbank money was quoted at 9{15/16}-10{1/16} per cent up from 9⅞-10 per cent. Overnight funds opened at 10⅛-10⅜ per cent and touched a high of 11¼ per cent before finishing nearer 10 per cent. The shortage was not completely taken out although this should cause few problems today as more paper is sold willingly on the basis that rates are unlikely to come down in the very near future.

The Bank of England forecast a shortage of around £300m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £149m and Exchequer transactions a further £110m. In addition banks brought forward balances £65m below target. These were partly offset by a fall in the note circulation of £40m. The Bank gave assistance in the morning of £107m through outright purchases of eligible bank bills, £9m in band 1 at 9⅞ per cent, £74m in band 2 at 9{13/16} per cent and £24m in band 3 at 9¾ per cent.

Additional assistance was given in the afternoon of £29m through outright purchases of elegible bank bills in band 1 at 9⅞ per cent. Late help came to £30m, making a total of £166m.

In Frankfurt the Bundesbank announced the results of its latest sale and repurchase tender with DM 14.5bn being allocated. The 35-day facility carries a fixed rate of 4.35 per cent and successful applicants will be credited with the funds today. This coincides with a maturing agreement of DM 13.1bn. Call money was quoted at 4.6-4.7 per cent, unchanged from Monday.

UK clearing bank base lending rate, 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8½
Broker loan rate	7⅞
Fed funds	6{11/16}
Fed funds at intervention	6{11/16}
Treasury Bills & Bonds	
One month	5.73
Two month	5.91
Three month	6.07
Six month	6.19
One year	6.31
Two year	6.81
Three year	7.02
Four year	7.18
Five year	7.25
Seven year	7.34
10 year	7.40
30 year	7.20

FT LONDON INTERBANK FIXING

(11.00 a.m. July 8)

Three months US dollars		Six months US dollars	
bid 6⅝	Offer 6¾	bid 6⅝	Offer 6¾

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

July 8	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-11¼	10⅜-10⅝	10⅛-10¼	9⅞-10{1/16}	9{11/16}-9⅞	9⅝-9{13/16}
Sterling CDs	—	—	10⅛-10¼	9{15/16}-9{13/16}	9{11/16}-9{11/16}	9{11/16}-9{11/16}
LocalAuthorityDepos	10⅜-10¾	10¼-10⅛	10⅛-10{1/16}	9{15/16}-9⅞	9¾	9{11/16}
Local Author'y Bonds	—	—	10¼	10⅛	9⅞	9⅝
Discount Mkt Depos	10-10¼	10⅜-10⅛	9¾	9⅛	—	—
Company Depos	10½-10¾	10⅝-10¾	10¼-10⅜	10	—	—
Finance House Depos	—	—	10¼	10	9⅞	9{15/16}
Treasury Bills (Buy)	—	—	9½	9½	—	—
Bank Bills (Buy)	—	—	9{13/16}-9⅞	9{11/16}-9⅝	9{7/16}	—
Fine Trade Bills (Buy)	—	—	10½	10⅜	9½	—
Dollar CDs	—	—	6.80-6.85	6.55-6.60	6.65-6.60	6.6-6.65
SDR Linked Depos	—	—	6{5/16}-6{3/16}	6{5/16}-6{7/16}	6{5/16}-6{7/16}	6¼-6{7/16}
ECU Depos	—	—	7{5/16}-7{3/16}	7¼-7⅜	7¼-7⅜	7¼-7⅜

Treasury Bills (sell): one-month 9{11/16} per cent; three months 9⅝ per cent. Bank Bills (sell): one-month 9¾-9{11/16} per cent; three months 9{11/16} per cent. Treasury Bills: Average tender rate at discount 9.5040 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive) 9.824 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from June 25. Deposits held under Series 5 9¾ per cent. Deposits withdrawn for cash 5½ per cent.

MONEY RATES

July 8	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.60-4.70	4.50-4.60	4.50-4.60	4.60-4.65	4.55-4.70	5.6
Paris	7⅛	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	⅞-1⅛	4{1/16}-4{3/16}	—	4{1/16}-4{3/16}	—	—
Amsterdam	6¼-6{5/16}	6¼-6⅜	—	6{1/16}-6{3/16}	—	—
Tokyo	4.40625	4.65625	—	4.71875	—	—
Milan	12⅜-12¾	12-12⅜	—	11⅞-12¼	—	—
Brussels	[illegible]	[illegible]	—	[illegible]	—	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	100¼	Exch. 14pc 1986	101⅛	–⅛	13.85	9.89
98⅝	94⅞	Exch 2½pc 1986	98¼	–⅛	2.55	7.20
102	100⅛	Exch 13¼pc 1987	101 xd	–⅛	13.00	9.42
100⅞	97	Treas 10¼pcCv '87	100⅛ xd	–⅛	10.[illegible]	9.59
97	92	Exch 2½pc 1987	97¼	–⅛	2.58	7.02
101⅛	97¼	Exch 10½pc 1987	100	–⅛	10.45	9.58
98⅝	93⅝	Funding 6½pc '85-87	98	–⅛	6.63	8.97
101⅛	96	Treas 10pc 1987	100⅛	–⅛	9.96	9.53
97	90⅞	Treas 3pc 1987	96¼ xd	–⅛	3.13	8.89
104	99⅞	Treas 12pc 1987	103	–⅛	11.65	9.46
99¼	92	Treas 7¾pc 1985-88	98 xd	–⅛	7.91	9.18
104	96¾	Exch 10½pc '88	102⅛	–⅛	10.27	9.18
102⅝	95⅛	Treas 9¾pc Cv '88	100	–⅛	9.66	9.19
94¼	86⅝	Transport 3pc '78-88	93 xd	–⅛	3.24	6.90
102⅝	93	Treas 9½pc '88	100	–⅛	9.45	9.25
107	98	Treas 11½pc 1989	105	–⅛	10.94	9.25
103⅛	93⅛	Treas 9½pc Cnv '89	100	–⅛	9.42	9.15
92⅛	82	Treas 3pc 1989	90	–⅛	3.35	6.91
105	95	Treas 10½pc 1989	103¼	–⅛	10.16	9.13
104	94⅛	Exch 10pc 1989	102⅛ xd	–⅛	9.78	9.18
107	97	Exch 11pc 1989	104⅞	–⅛	10.47	9.17
93	84½	Treas 5pc 1986-89	91	–⅛	5.45	7.83
110	94⅝	Exch 10¼pcCv '89	106⅝	–⅛	9.58	7.82
114	103	Treas 13pc 1990	111⅛ xd	–⅛	11.66	9.14
108⅛	97⅛	Exch 11pc 1990	105½ xd	–⅛	10.41	9.13
[illegible]	[illegible]	[illegible]	110¼	–⅛	11.34	9.20

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

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COMMONWEALTH & AFRICAN LOANS

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FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

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ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	300	–5	8.5	1.7	4.0	18.8
23½	15½	Morris (W) F A 20p	19½	–½	—	—	—	—
139	96	Moss (Robt.) 10p	131		3.3	2.7	3.5	14.1
141	65	Myson Grp 10p	139	–2	2.63	2.6	2.7	17.9
365	259	NMW Computers	300	–5	6.0	3.0	2.8	17.3
40	27	Nash Inds	38		0.5	—	1.9	—
27½	15½	Neil & Spencer 10p	22½	–½	—	—	—	—
38	28	Newman Inds 10p	37	+1	0.8	1.2	3.1	(35.8)
65	44	Nolton	54	+3	0.95	7.0	2.5	7.7
138	96	Norank Systems 5p	130		3.0	♦	3.2	♦
286	187	Norcros	285	–1	9.3	2.2	4.7	13.3
138	49	Nu-Swift 5p	135	–3	3.5	2.1	3.7	18.2
£303	£228	OCE 9pc Cnv 1987-92	£292		Q9%	—	(3.1)	—
118	80	Oakwood Grp.	97	–1	5.0	1.3	‡	13.5
250	203	Office & Elect	235	–3	8.5	2.9	5.1	9.6
102	70	Oldacre 20p	102		4.0	2.6	5.5	9.0
36	24	Optometrics $0.01	24		—	—	—	—
800	500	Ordiame £1	800		24.5	2.1	4.3	15.5
10	6	Owenstone 12½c	6		g03.23c	1.9	14.1	3.7
		For Oralid 9pc Cnv see OCE 9pc Cnv						
142	85	PCT Grp 10p	133		3.2	1.2	5.0	(32.7)
£204½	950	PLM B' Sk 25	£15⅞		Q23.2%	0.3	4.3	—
184	114	PSM Intl	172	–2	5.5	2.1	4.5	13.1
255	167	Pacer Systems $0.01	220		L03.84c	3.4	1.2	24.5
78	56	Pacific Sales 10p	64		3.0	2.1	6.6	8.4

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
80	45	Colby Res Corp.	45	....	—	—	—
300	130	Cons. Murch. 10c	150	+15	Q100c	♦	14.7
34	28	Essex Inr. Ir10p	33	....	—	—	—
102	70	Greenwich Res	93	–2	—	—	—
157	93	Hampton Areas 10p	146	....	1.0	—	1.0
250	165	Highwood Res	220	–15	—	—	—
£19⅝	£13½	Homestake Mining $1	£13¾	–⅛	Q20c	—	1.0
310	175	McFinley Red Lake	190	–5	—	—	—
285	195	Mosto Explorations	200	....	—	—	—
51	33	New Sabina Res C$1	35	....	—	—	—
260	200	Northgate C$1	200	–10	—	—	—
790	513	RTZ	682	–9	22.0	2.8	5.1
£164	£115	Do. 9½pcLn '95-2000	£134½	–½	Q9½%	15.5	7.1
950	800	Tara Expln $1	875	....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- \- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60xr	.....	Fin. 13% 97/02	£122¾	.....
Craig & Rose £1	£12	.....	Arnotts	325	+5
Finlay Pkg. 5p	43	....	CPI Hldgs	43	.....
Holt (Jos) 25p	820	+20	Carrol Inds.	155xd	–10
IoM Stm. £1	87	..	Dublin Gas	53	.....
			Hall (R. & H.)	75	.....
IRISH			Heiton Hldgs.	32	+2
Fund 11¾% 1988	£103⅛	..	Irish Ropes	109xd	.....
Nat. 9¾% 84/89	£101⅛xd	..	Unidare	205	+3

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(International Edition Page 23)

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Declara- Dealings	tions	Last Dealings	Account Day
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Wall St plunge brings largest-ever points fall in FT equity indices

London markets felt the backlash yesterday of the wave of pessimism currently sweeping Wall Street and the two main FT indices tumbled to record the largest-ever points falls. The FT Ordinary share index exceeded the March 25 drop of 29.9 to close 30.1 down at 1317.7, while the FT-SE 100 share, down 30.1 on the same day, dived 32 points to 1599.0.

The US despondency was generated by concern over the economic outlook and by receding interest rate hopes. It brought a record points plunge on Monday of nearly 62 points in the Dow Jones index, which took a further sharp knock early yesterday.

London jobbers slashed share prices at the opening so as to deter sellers and the indiscriminate markdown provided buying opportunities for brave investors in a range of stocks. Some nervous selling developed from the initial low points. Thereafter business subsided as operators apprehensively awaited the 2.30 pm announcement of the June banking statistics.

These were slightly disappointing with money growth, as indicated by sterling M3, showing a fresh rise of 1½ per cent; this was at the top end of market estimates. Share and gilt-edged values immediately resumed the earlier downturn and the movement was hastened by transatlantic events. US bond prices, which had resisted Monday's slide, weakened sharply yesterday and the Dow Jones index soon dropped another 25 points.

This was too much for London traders and in demoralised markets a fresh wave of nervous selling built up. Professional traders aggravated the situation by scurrying to open new short positions and the upshot was that markets closed at the session's worst.

Longer-dated Government securities were hit the hardest and showed falls stretching to 1¾ points. Profit-taking was fairly persistent and by the end of the day there were few buyers operating. The latest money stock figures appeared to quash any lingering hope of lower bank base rates and short Gilts moved down as short-term rates for credit hardened. Index-linked issues, however, were immune to the surrounding depression and managed further small improvements.

Merchant banks down

There was no respite for Merchant banks which sustained fresh falls owing to the absence of support in the wake of the disappointing market debut last week of Morgan Grenfell; MG fell away to a low of 455p before staging a minor rally, only to drift off again in the late dealings to close 11 down at 461p — a 39p discount on the striking price of 500p. Mercury International were down a further 37 at 729p, while Kleinwort Benson lost 20 to 760p and Brown Shipley fell 25 to 505; Hill Samuel gave up 7 to 385 and Hambros cheapened 4 more to 238p.

The major clearing banks finished with falls ranging to 10. Barclays, 517p, Lloyds, 387p, and Midland, 537p all lost that amount, but NatWest were only 5 off at 507p. Elsewhere, Goode Durrant and Murray gained 21 for a two-day rise of 48 to 123p, after 153p, on excitement generated by the Impala Pacific stake in the company.

Royals led the Composite Insurance lower sector where double-figure falls were commonplace. Royals settled a net 22 down at 847p, while General Accident gave up 18 at 842p. Among Lloyds brokers, Dewey Warren fell 25 to 98p and C. E. Heath shed 12 to 525p on news that talks which may have led to an offer by Heath for Dewey Warren had been discontinued. Hogg Robinson softened a couple of pence to 358p despite the satisfactory annual results.

Steep falls on Wall Street overnight and in London at the opening took paid to any chance of a bright market debut by USM-listed clothing transporting and distribution group Tibbett and Britten: offered at 130p, the shares opened at 115p and touched extremes of 120p and 100p prior to ending the session at 114p.

Meanwhile, Thames Television attracted renewed profit-taking and gave up 5 more to 215p.

Losses in Breweries extended into double-figures, although dealers reported little appreciable selling. Falls of 10 were common to Bass, 765p, Guinness, 325p, and Whitbread A, 288p. Regionals were relatively steady. Recent takeover favourite Belhaven traded between 58p and 64p before settling a net penny to the good at 62p.

Buildings displayed moderate falls following an initial defensive mark-down and subsequent bouts of scrappy selling. Blue Circle settled 9 lower at 626p, and Redland fell 7 to 449p. Costain gave up 10 at 552p and Taylor Woodrow shed 7 to 538p, while George Wimpey lost 5 at 199p. John Mowlem were finally 5 off at 394p, but AMEC were sustained by favourable Press comment and closed 2 dearer at 252p. British Building and Engineering Appliances fell 10 to 125p following the poor annual results and reduced dividend, while Raine Industries eased 2½ to 79½p on profit-taking pending the outcome of merger talks. Manders gave up 10 more to 265p as bid hopes continued to fade and recent high-flyer Helical Bar lost 12 to 231p.

ICI opened around 14 lower at 980p following Wall Street's biggest ever one-day fall, but rallied to 990p on the appearance of cheap buyers before falling back again to close a net 24 down at 970p. Laporte shed 7 to 388p and Hickson International lost 5 to 433p, while Yorkshire Chemicals softened a couple of pence to 153p. Coalite, a firm market on Monday reflecting takeover speculation, slipped a penny to 288p, while profit-taking clipped a couple of pence from Holt Lloyds International at 105p, Suncliffe Speakman improved 2 to 59p; the rise in yesterday's issue was incorrect.

Stores proved to be relatively resilient with leading counters generally displaying modest losses in thin trading. Woolworth, 15 lower at 640p, continued to give ground, as did defeated suitors Dixons, 4 off at 318p. Losses elsewhere rarely exceeded a few pence, although Grattan, in receipt of an agreed bid from Next, closed 5 cheaper at 527p. Freemans dipped 6 to 446p. Ward White fell 10 to 328p despite a bullish circular from brokers de Zoete and Bevan, while occasional offerings also depressed Bentalls, 160p, and Goldsmiths, 208p, both 10 lower. A rare bright spot was provided by USM-quoted Paul Michael Leisurewear which spurted to 55p before settling 30 higher on balance at 46p as Cleves Investments acquired a 55 per cent stake in the company from Brown and Jackson at 16½p per share; to comply with the takeover code, Cleves will offer the same terms to minority shareholders.

Among the Electrical leaders, British Telecom, still overshadowed by the threat of renationalisation if the Labour Party gains power at the next election, eased afresh to 194p before settling 2 lower on balance at 198p for a two-day loss of 20. GEC, partly reflecting the failure of the nationalisation compensation claim, eased 4 to 202p, while Thorn EMI, awaiting tomorrow's preliminary figures, eased 7 to 487p. Elsewhere, comment on the annual results left Electronic Rentals 5 down at 55p and disappointing interim figures prompted a reaction of 40 to 320p in Domino Printing.

News that the company had lost its nationalisation compensation claim prompted weakness in Vickers, which closed 35 lower at 443p. Among the other Engineering leaders, Hawker eased 12 to 553p and GKN 5 to 351p. TI, reflecting fading Evered bid hopes, lost 13 to 530p. Resisting the overall downward trend in the sector, William Cook moved up 22 to 190p following the annual report; the rise was also accompanied by takeover talk. Demand persisted for Hobson which gained 2 more to 23p.

Foods took a distinct turn for the worse. Cadbury Schweppes reacted 8 to 174p and Rowntree Mackintosh shed 10 to 438p, while United Biscuits lost 6 to 249p. Unigate came on offer and fell 10 to 293p, while Ranks Hovis McDougall gave up 7 to 216p. Retailers were also dull with J. Sainsbury finally 6 cheaper at 386p, Tesco 5 off at 363p, and Argyll 9 down at 313p. Profit-taking in the wake of the interim results left Glass Glover 11 lower at 207p, while Bernard Matthews retreated 7 further to 248p.

Grand Metropolitan were a particularly dull market and closed 16 down at the day's lowest of 392p. Trusthouse Forte, which is considering buying a block of restaurant and hotel businesses from Hanson Trust, gave up 6 to 155p. Against the trend, Ladbroke firmed 3 to 351p on talk of a broker's recommendation; the company's offer for Gable House Properties was declared unconditional yesterday.

Internationals fall

Reflecting the sharp overnight fall on Wall Street, international stocks sustained above-average falls. Beecham came under selling pressure and touched 418p before settling 17 off on balance at 421p. Glaxo gave up ½ to £10, while Reuters, a particular US favourite, dipped 25 to 485p. Elsewhere, Metal Box reacted 18 to 765p and Pilkington gave up 12 to 406p, while British Aerospace were also outstanding with a fall of 18 to 480p. Evered, still reflecting the failure of its bid for McKechnie Bros, lost 18 more to 240p for a two-day fall of 32. Pearson opened at around 560p, but buyers appeared at this level and took the price up to a close of 558p, down 10 on the day. Bruntons (Musselburgh), in contrast, advanced 15 to 70p on news of the bid of 62p per share cash from Carclo; the latter fell 10 to 195p. Other bright spots included R. W. Toothill which gained 10 to 290p in response to the preliminary figures and "shell" situation Times Veneer, up 3½ more at 44p. Parkfield Group, a good market recently on acquisition news, reacted 15 to 535p. TSL Thermal Syndicate remained on offer and lost 10 afresh to 100p, while profit-taking clipped 7 from Marshall Loxley at 136p. Pentland Industries rallied from an opening level of around 920p to close 45 lower on the day at 955p. Bestobell, the subject of persistent bid rumours over the last few days, reacted 10 to 485p. Despite announcing preliminary figures in line with expectations, Granada eased 6 to 278p.

Jaguar, supported strongly of late reflecting optimism over the impending launch of the XJ40 and reports of excellent US sales, reacted sharply to US offerings and dipped to 541p before settling a net 29 cheaper at 548p. BL were marked 4 lower to 51p in the wake of the chairman's gloomy statement at the annual meeting. Profit-taking again unsettled ERF, finally 8 off for a two-day decline of 20 to 95p. Components gave modest ground with Lucas 8 off at 610p and AE another 5 lower at 235p.

Associated Newspapers eased a few pence to 330p awaiting today's interim figures. Paper/Printings gave ground across the board, notably John Waddington, 50 cheaper at 900p, and Jefferson Smurfit, 6 down at 196p. Advertising agencies went lower under the lead of Saatchi and Saatchi which dipped 20 more to a year's low of 695p.

Leading Properties wilted in sympathy with the general trend, Land Securities settling 4 cheaper at 340p and MEPC losing 5 at 348p. Hammerson "A" gave up 10 at 435p, but Peachey held up well and closed a penny dearer on balance at 280p. Elsewhere, Abaco, a firm market recently on expansion prospects, came back 7 to 80p and Mountview Estates relinquished 20 to 710p. Evans of Leeds finished a penny off at 104p despite the increased annual profits, but Bush and Tompkins gained 10 to 265p on vague takeover rumours. Marler Estates lost 20 to 495p following profit-taking and Mountleigh slipped 10 to 335p.

Reported US selling depressed Bats, 20 lower at 391p. Rothmans International gave up a few pence to 158p.

Oils under pressure

Reports that Opec oil output had risen significantly during June and is expected to remain at a high level throughout July in the run up to the next Opec meeting—to be held in Geneva on July 28—triggered a fresh slide in crude oil spot prices. This in turn prompted widespread selling of oil shares, which were additionally burdened by the latest slump on Wall Street. The leaders were marked down at the opening of business, steadied in mid-session on the appearance of "cheap" buyers, but subsequently came under renewed pressure after-hours, to close at or around the day's lowest levels. BP, also unsettled by fears of share sales by the Government or Distillers, fell 10 more to 566p—a two-day fall of 22. Shell dipped 7 to 768p, LASMO 5 to a 1986 low of 88p and Britoil 2 to a year's low of 141p. Tricentrol, down 5, equalled the 1986 low of 43p and Ultramar eased 3 to 165p.

Among Overseas Traders Thomas Borthwick ran into sustained selling and dipped 5 to 49p on news that discussions regarding the possible disposal of part of the company's Australian meat processing business had been terminated.

A firm showing by the bullion price in response to the latest steep fall by Wall Street underpinned South African issues despite the continuing political uncertainty in the Republic.

Bullion made steady progress throughout the session to close a net $3.5 firmer at $347.25 an ounce. An initial improvement in the Financial Rand—it touched 23.25 cents early on before slipping back to around 22.75 cents towards the close—encouraged a steady stream of small buying orders for South Africans from numerous European centres. Much of the demand represented further covering of short positions and ensuing modest gains in Golds left the Gold Mines index 0.7 up at 197.3.

The record decline on Wall Street on Monday caused another general retreat by recently beleaguered Australians in overnight Sydney and Melbourne markets. In London, dealers marked prices sharply lower at the outset but a modest rally was seen around midday. However, the further slide on Wall Street yesterday produced renewed selling of the leaders and most closed at or around the day's lowest levels.

Traded Options

The shake-out in the equity market stimulated a lively demand for Traded Options. Business was evenly split with 11,443 calls and 10,050 puts transacted. Contracts in the FT-SE 100 found particular favour with 1,444 calls and 2,720 puts struck.

FINANCIAL TIMES STOCK INDICES

	July 8	July 7	July 4	July 3	July 2	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	90.80	91.56	91.66	91.24	90.74	82.53	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.61	97.68	97.44	97.00	96.86	87.33	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1317.7	1347.8	1356.5	1365.7	1366.6	932.0	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	197.3	196.6	196.3	199.4	198.2	405.2	357.0 (27/1)	192.3 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.18	4.08	4.06	4.04	4.04	4.95				
Earnings Yld.%(full)	10.03	9.80	9.74	9.67	9.69	12.35				
P/E Ratio (net) (*)	12.14	12.43	12.51	12.59	12.57	9.89				
Total Bargains (Est.)	32,750	24,958	25,216	25,289	24,287	20,452				
Equity Turnover £m.	—	502.47	694.22	658.53	700.01	344.29				
Equity Bargains	—	29,547	25,646	28,411	28,883	18,206				
Shares Traded (ml).	—	232.4	277.6	301.4	343.5	178.2				

S.E. ACTIVITY

Indices	July 7	July 4
Gilt Edged Bargains	132.1	137.7
Equity Bargains	191.4	166.2
Equity Value	1,015.6	1,403.2
5-Day Average		
Gilt Edged Bargains	133.6	129.9
Equity Bargains	177.0	168.6
Equity Value	1,316.8	1,319.4

♥ Opening 1340.6 | 10 a.m. 1330.8 | 11 a.m. 1330.5 | Noon 1330.7 | 1 p.m. 1329.5 | 2 p.m. 1329.1 | 3 p.m. 1324.7 | 4 p.m. 1317.5

Day's High 1340.6. Day's Low 1316.3.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.71.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 39,138

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17

For rate indications see end of Unit Trust Service

Money was given for the call of Bristol Oil and Minerals, Amstrad, Nolton, BSG International, Wheway Watson, Thomas Marshall Loxley, Raine, Intervision Video 7 per cent Convertible, Abaco Investments, CASE, Britoil, "The Times" Veneer, Lec Refrigeration, Platignum, Radius, Riley Leisure, Morgan Grenfell, British Telecom, Lister and Redfearn, National Glass. No puts were reported, but a double option was transacted in Amstrad.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
BAT Inds.	391	−20	Glaxo	[illegible]	− ½
Beecham	421	−17	Hestair	163	− 7
Belhaven Brew.	62	+ 1	ICI	970	−24
Brit. Aerospace	480	−18	Jaguar	548	−29
Domino Printing	320	−40	Pearson	558	−10
Dowty	218	− 3	Stroud Riley	122	− 3

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Mon. close	Day's change	Stock	No. of changes	Mon. close	Day's change
McKechnie Bros.	24	227	−23	BOC	15	303	+ 9
Pearson	21	568	−35	Raine Inds.	15	82	+ 4½
ICI	20	994	−18	Cable. & Wire.	14	708	− 5
Morgan Grenfell	18	472	−16	Glaxo	12	£10½	—
Brit. Telecom	17	198	−18	HB Elect	12	90	+10
Belhaven Brew.	16	61	+ 6	Marks Spencer	12	201	− 6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	102	2
Corporations Domestic and Foreign Bonds	14	26	31
Industrials	114	783	646
Financial and Propositions	42	291	246
Oils	2	47	70
Plantations	0	5	10
Mines	30	48	108
Others	21	142	84
Totals	231	1,404	1,196

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday July 8 1986

Figures in parentheses show number of stocks per section

[illegible]

FT-SE 100 SHARE INDEX ♦ 1599.0 −32.0

FIXED INTEREST

[illegible]

‡ Opening index 1611.9; 10 am 1614.4; 11 am 1613.3; Noon 1612.8; 1 pm 1611.7; 2 pm 1611.4; 3 pm 1606.9; 3.30 pm 1599.0; 4 pm 1598.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (39)

CORPORATION LOANS (2) Herts 6¾pc 1985-87, LCC 3pc '20 Aft. COMMONWEALTH AND AFRICAN LOANS (1) NZ 7¼pc 1988-92. LOANS (1) Met Water 3pc B. CANADIANS (1) Gt Pacific Res. BANKS (2) Chancery Secs, Goode Durrant and Murray. BREWERS (1) Ruddle (G). BUILDINGS (4) Bryant Hldgs, Laing (J), Sharpe and Fisher, Tay Homes. STORES (1) Church. ELECTRICALS (1) Cray Electronic. ENGINEERING (2) Bronx Eng, Cook (Wm) (Sheffield). HOTELS (1) Midsummer Inns. INDUSTRIALS (9) Bruntons (Muss), Esselte AB, Hay (Norman), Kalamazoo, Kleen-E-Ze, Rexmore, "The Times" Veneer, Thermax, Willaire Systems. INSURANCE (1) Utd Friendly B. MOTORS (1) Abbey Panels. PAPER (1) Shandwick. PROPERTY (5) Cardiff Prop, Greycoat, Peachey, Raglan, York Mount. TEXTILES (1) Atkins Bros. TRUSTS (4) Gen Funds Cnv, Lowland Inv, SPLIT Inc, Barrie Inv and Fin.

NEW LOWS (74)

AMERICANS (5) Alcoa, Bethlehem Steel, CSX, IBM, Ingersoll-Rand. CANADIANS (1) Imperial Oil. BANKS (3) ANZ, Nat Australia Bk, Rea Bros. CHEMICALS (1) Coates Bros. STORES (1) DAKS Simpson A. ELECTRICALS (12) Black and Decker, Brikat, British Telecom, Farnell Elect, Lexicon Inc, Motorola, Perkin-Elmer 4pc, Philips Fin 5¾pc, Philips Lamps, Polytechnic Elect, Process Systems Inc, Sintrom. ENGINEERING (2) SPP, Wyndham. FOODS (1) Glass Glover. INDUSTRIALS (6) CSR, Mathesons 7¾pc, Securicor A NV, Splash Products, TSL Thermal Synd, Trafalgar House. LEISURE (1) Samuelson. NEWSPAPERS (3) Collins (Wm), Euromoney Publications, Portsmouth and Sunderland. PAPER (5) Crown Intl, Jarvis Porter, LCA, Saatchi and Saatchi, Watmoughs. SOUTH AFRICANS (2) OK Bazaars, Tiger Oats. TRUSTS (6) Conti Assets, Independent Inv, Lancs and London Inv, Viking Res, Asset Tst, Ivory and Sime. OILS (11) Bell Res, Britoil, Enterprise Oil, Genoa Res and Inv, LASMO, Do "Ops," Magellan Pet, Meridian Oil, Moonie Oil, Santos, Triton Europe. MINES (14) Durban Deep, Driefontein, Venterspost, FS Cons Gold, CRA, Emperor Mines, North Broken Hill, Oter Expln, Peko-Wallsend, Spargos Expln, Thames Mining, Western Mining, Anglo Utd Dev, Northgate.

BASE LENDING RATES

	%		%
ABN Bank	10	Equatorial Tst Corp. plc	10
Allied Arab Bank Ltd	10	Exeter Trust Ltd	10½
Allied Dunbar & Co	10	Financial & Gen. Sec	10
Allied Irish Bank	10	First Nat. Fin. Corp	11
American Express Bk	10	First Nat. Sec. Ltd	11
Amro Bank	10	● Robert Fleming & Co	10
Henry Ansbacher	10	Robert Fraser & Ptrs	11
Associates Cap Corp	10	Grindlays Bank	‡10
Banco de Bilbao	10	● Guinness Mahon	10
[illegible]	10	● Hambros Bank	10

[illegible]

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

LONDON TRADED OPTIONS

[illegible]

July 8. Total contracts 21,493. Calls 11,443. Puts 10,050.
*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

GERMANY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

ITALY

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 33

CANADA

TORONTO

Prices at 2.30pm July 8

MONTREAL

Closing prices July 7

WE REGRET that this listing is incomplete due to communication problems.

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

NYSE-Consolidated 1500 Actives

Advances 219 Declines 1,463

TORONTO	July 8	July 7	July 4	July 3	1986 High	1986 Low
Metals & Minls	1,892.8*	2,035.9	2,086.4	2,091.4	2,442.86 (21/3)	2,025.3 (21/5)
Composite	2,989.8*	3,042.2	3,081.5	3,082.8	3,129.11 (18/4)	2,754.0 (17/2)
MONTREAL Portfolio	1,507.98*	1,525.84	1,559.34	1,558.66	1,623.33 (16/4)	1,386.6 (22/1)

* Indicates pre-close figure

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—256.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500 NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

EUROPE

Continued from Page 34

as much as 20 basis points lower. The Bundesbank bought DM 19.8m worth of paper after selling DM 41.2m on Monday.

Milan was spurred by news that Montedison had agreed in principle to buy Fermenta, the Swedish biotechnology group. Montedison rose L80 to L3,550.

Unconfirmed rumours that Fiat expects favourable first-half results also benefited the mood as the car group jumped as high as L13,700 in after-bourse trading. Fiat ended official trade with a gain of L120 at L12,820.

Other stocks followed this trend, ignoring the government crisis of the past week. Olivetti, which plans to build a floppy disk factory in Italy, added L250 to L16,700

Paris rose from early lows as investors hunted bargains, but most prices ended lower on the day.

Food issues fell with BSN off FFr 130 at FFr 3,820, Carrefour FFr 65 at FFr 3,115 ex-scrip and Perrier FFr 25 at FFr 737 after last week's gains prompted by the hot weather.

Carlo de Benedetti has been appointed to the board of car component maker Valéo after his company took control of the group. Valéo dropped FFr 9 to FFr 486.

Amsterdam was confused by Wall Street's losses and Frankfurt's gains but eventually ended down, despite persistent optimism on interest-rate cuts.

After the previous session's gains from foreign interest, Unilever dropped Fl 9.50 to Fl 492.30 and Philips lost 70 cents to Fl 49.70 as investors nervously awaited results from the North American subsidiary.

Brussels fell. Electrobel slipped BFr 500 to BFr 15,300, and chemical group Gevaert lost BFr 160 to BFr 5,800 while wiremaker Bekaert, which has a large investment in the US, declined BFr 250 to BFr 11,700.

Zurich was on average 1 per cent down as small volume limited the selling pressure.

Baer Holding, one of last week's best performers, dropped SFr 900 to SFr 19,900 and UBS SFr 50 to SFr 5,750.

Stockholm was sharply lower as investors acted on the proposed Fermenta sale. The issue fell SKr 7 to SKr 158 – Montedison has offered SKr 160–SKr 180 per share but is not bidding for all the stock, leaving some shareholders wondering about the fate of their investment.

Oslo continued its downturn. The lower mood was well entrenched before Norsk Hydro said it had proposed buying a sizable stake in Saga Petroleum. Saga, down NKr 4 at NKr 70.50, is in merger talks with Elf Aquitaine's Norwegian unit.

Norsk Hydro lost NKr 6.50 to NKr 149.50 while Norsk Data was steady at NKr 214.

Madrid was higher in active trading.

SINGAPORE

MODERATE activity saw prices close broadly higher after some short covering and renewed buying interest. Most price changes were small.

The Straits Times industrial index closed 8.08 points higher at 733.46 after largely speculative buying in the absence of fresh factors.

Malayan Banking gained 4 cents to S$3.82 and DBS 5 cents to S$7.00. Genting added 8 cents to S$4.34 while Cerebos gained 8 cents to S$3.12.

SOUTH AFRICA

LOCAL AND OVERSEAS interest on a rise in the bullion price prompted an afternoon rally in Johannesburg where gold shares closed mixed after early losses.

Vaal Reefs was steady at R234 while Kinross lost 50 cents to R42. Blyvoor gained 50 cents to R17.50.

Mining financials and other minings mirrored golds. De Beers, which announced that another of its mines had been hit by industrial action, lost 10 cents to R28.50, but off a lower R28.30 opening.

AUSTRALIA

LATE bargain-hunting took shares up from their lowest levels of the day in Sydney, where prices continued to be depressed in moderate activity.

The All Ordinaries index ended 11 lower at 1,125 2. Brokers reported an initial sharp drop in reaction to Wall Street's record one-day fall, combined with growing problems in Australian industry.

Fears that the Government will be forced to raise interest rates to counter renewed weakness in the Australian dollar also contributed to the slump.

CANADA

SHARPLY LOWER prices mirrowing Wall Street's fall set the tone in active Toronto trading. The retreat was led by industrials, with top active Canadian Pacific down C$½ to C$16⅝, while Bank of Nova Scotia fell C$¾ to C$15¾.

Montreal reacted similarly with most main share groups down sharply.

LONDON Chief price changes

(in pence unless otherwise indicated)

RISES

Tr 2½% IL 09	£102¾	+ ⅜
Conroy Petrol	133	+15
Cook (Wm) (Sheff)	190	+22
Goode Durrant & Murray	123	+21
Paul Michael Leis.	46	+30
Toothill (RW)	230	+10

FALLS

Exch 12½ 1990	£110¼	− ⁵⁄₁₆
Tr 13¼% 04-08	£136	[illegible]
Abaco Inv	80	− 7
BAT Ind	391	−20
Beecham	421	−17
Borthwick (Thos)	49	− 5
BAe	480	−18
BB & EA	125	−10
BP	556	−10
Dewey Warren	96	−25
Domino Printing	320	−40
Evered	240	−18
Grand Met	392	−16
Heath (CE)	528	−12
ICI	970	−24
Jaguar	548	−29
LASMO	88	− 5
Mercury Int	723	−37
Reuters B	485	−25
Royal In	847	−22
Saatchi & Saat	695	−20
Trusthouse Forte	155	− 6
Vickers	443	−35
Woolworth	640	−15

Prices at 3pm, July 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¼	AAR s	.44	1.8	22	609	24⅞	23¾	24¼	-⅞
30	21¾	ADT	.92	3.8		152	25⅛	24⅛	24⅜	-⅝
32¾	11½	AFG s			19	625	30¾	29¼	30	-1
25⅜	13¾	AGS			14	169	19⅝	19¼	19¼	-½
15	9⅞	AMCA				33	11½	11¼	11¼	-⅜
60⅝	37½	AMR			11	6831	52½	51½	51⅞	-1
23½	19¼	ANR pf 2.12		9.9		85	22	21½	21½	-½
12½	7⅜	APL			6	4	11¼	11¼	11¼	-⅛
16¾	11⅛	ARX	.71t	5.6	11	49	12⅝	12⅜	12⅝	-¼
51	28¾	ASA	2a	6.6		597	30⅝	29⅛	30½	+1¼
16⅜	10½	AVX		2.6		235	12⅝	12¼	12⅜	-¼
32	22⅝	AZP	2.72	9.5	7	821	28⅞	28½	28¾	-⅛
55	26⅜	AbtLb s	.84	1.7	24	4370	49½	48¼	49⅛	-2
32	19⅝	AccoWd	.56	2.0	18	35	28	27⅝	27⅝	-⅜
17	10	AcmeC	.40	3.6		58	11⅛	11	11⅛	
9¼	7	AcmeE	.32b	4.2	19	22	7¾	7⅝	7⅝	-⅛
20¾	17	AdaEx	1.90e	9.6		111	20	19⅝	19¾	-⅜
33⅜	16	AdmMl	.40	1.3	14	108	30⅜	29⅞	30	-¼
20⅜	11¼	AdvSys	.80t	4.8	16	109	17¼	16½	17¼	-⅛
32⅞	18¼	AMD				3254	19⅛	18⅜	18	+¾
12⅝	8	Adobe n			697	8	d	7¼	7⅜	-⅝
18⅜	14⅝	Adob pf 1.84		11.		173	17	16½	16½	-½
20¼	15¼	Adob pf 2.40		13.		132	19⅛	18¾	18¾	-⅜
18⅜	7⅜	Advest	.12a	.8	12	539	15⅛	14⅛	14¾	-½
66¼	42¼	AetnLf	2.64	4.5	11	1802	59½	58⅝	58¾	-1⅛
57½	51½	AetL pf4.28e		8.2		150	52⅜	52⅜	52⅜	-⅛
28¾	9⅝	Ahmnss	.46	1.8	8	7442	26	24⅝	25⅜	-1¼
5¾	2½	Aileen			98	158	5	4⅝	4⅞	
41⅝	25¾	AirPrd s	.80	2.4	13	3014	34	33½	33½	-½
27¾	18¼	AirbFrt	.60	3.5	15	130	18⅝	d17	17⅜	-1⅛
2⅛	⅜	AlMoan	.60e			71	7-16	13-32	13-32	
10¼	7⅝	AlaP dpl	.87	9.1		59	9¾	9⅝	9⅝	-⅛
103½	75¼	AlaP pl	9	9.2		z200	98	98	98	+1½
90¾	68¾	AlaP pl 8.28		9.5		z100	87	87	87	+¾
26⅜	15¼	AlskAir	.16	1.0	10	473	15⅞	15¾	15¾	
25	9⅜	Albrto s	.21	1.0	25	168	21⅜	20¼	20¼	-1⅜
23½	18¼	AlbCul	.21	1.1	23	116	18⅞	18½	18½	-1⅛
49½	26⅞	Albtsns	.84	2.0	15	613	43¼	42¼	42½	-1⅝
34⅝	22¾	Alcan	.80	2.8		9296	29¾	29	29	-⅞
46¾	32	AlcoStd	.24	3.0	19	595	42	41⅛	41⅜	-⅞
40⅞	26	AlexAlx	1	2.6		1327	39	37¾	38⅝	-⅜
47½	22⅝	Alexdr			34	39	37¾	37¼	37¼	-¾
101	75½	AllgCp	1.54t	1.6	21	27	95⅞	95	95	-⅜
28½	25⅝	AlgCp pf2.86		10		38	28	27¾	28	-¼
28¾	18½	AlgInt	.35j	1.8		1518	20⅜	19⅝	19⅝	-¾
20⅜	15⅛	Algln pf2.19		13.		12	17¼	17⅛	17⅛	
97¾	78	Algl pfC11.25		14.		4	83	82¼	82¼	+¼
45¼	28⅛	AllgPw	2.80	6.4	11	872	44	43¼	43½	-1⅛
27¼	16½	AllenG s	.56	2.8	12	282	20	19⅝	19¾	-¼
28⅞	24⅜	Allen pl 1.75		7.4		94	24½	d23½	23½	-⅞
43	16½	AlldPd			12	459	40¼	38¾	39	-1¾
49½	38⅛	AldSgnn	1.80b	4.3		5822	42⅝	41½	41¾	-1⅛
66	58½	AldS pfC6.74		12.		489	58¾	58½	58½	-¼
114⅜	102¾	AldS pfD 12		12.		112	103½	103½	103½	
53½	25⅛	AldStr s	1.16	2.4	13	2116	49½	48⅛	48⅜	-1⅛
10⅛	4⅞	AlldSup				588	8⅛	7½	7⅞	-⅜
6¾	3⅛	AlisCh				325	4¾	4¼	4¼	-½
40¾	26¾	AlisC pl				5	31½	31½	31½	-¾
38½	26½	ALLTL	1.96	5.3	11	249	37½	36¾	36¾	-¾
46⅝	31½	Alcoa	1.20	3.3		4103	37¼	36⅝	36⅝	-½
17	10½	Amax				1083	12¾	12¼	12⅝	-¼
36	27½	Amax pl	3	8.8		1	34⅛	34⅛	34⅛	
32¼	18⅞	AmHes	.27j			2146	19¼	d18¾	19¼	+⅜
1⅞	1	AmAgr				160	1⅛	1	1	
31¼	19½	ABakr			12	129	29	27½	27½	-1½
100⅞	53¼	ABrand	4.05	4.3	13	3418	95	93	94½	-2¾
34⅜	28	ABrd pf2.75		8.3		5	33½	33¼	33¼	
101	54⅞	ABrd pf2.67		2.8		3	95⅜	95⅜	95⅜	-1⅞
30⅛	20⅞	ABldM	.90	3.4	18	44	26⅛	26⅛	26⅛	-¼
36⅞	25	ABusPr	.76	2.3	16	28	32½	32¼	32½	-½
82⅜	50¾	AmCan	2.90	3.7	13	1116	78⅛	77	77⅝	-¾
71	44⅞	ACan pf	3	4.5		13	67¼	67¼	67¼	-⅞
24⅞	19½	ACapBd	2.20	9.1		105	24½	24⅛	24⅛	-⅜
32⅞	25¾	ACapCv	2.73e	8.9		18	31¼	30¾	30¾	-½
24¼	12½	ACMR n	.15e	.7	16	165	21½	21	21⅛	-⅜
9¼	4⅝	ACentC			70	4⅞	d	4½	4½	-½
79	48⅝	ACyan	1.90	2.6	26	3801	75	72¾	73	-2¾
28⅜	19⅞	AElPw	2.26	8.4	11	1953	26⅞	26¼	26¾	-¼

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31¼	23½	SealPwr	.10	3.8	13	221	28¾	28¾	28⅛	−½
50⅞	31¾	Sears	1.76	3.9	13	10841	45⅞	44⅝	44⅞	−1½
40¼	24⅞	SocPac	1.48	4.2	8	4710	35⅝	34⅜	35⅜	−¼
37⅛	23¾	SvcCp s	.40	1.2	22	491	34½	33	33⅜	−1⅜
13⅞	3⅝	SvcRes				108	12	10¾	10¾	−1¼
205½	102½	UniNV	5.66e	2.8	17	619	201¾	200	200	−1½
54½	33¾	UCamp	1.64	3.4	27	1170	48⅜	47⅝	48⅛	−⅝
25½	18¾	UCarb s	1.50	6.7		5607	22⅞	22⅜	22½	−½
40½	32	UnCrb rt				3058	33⅛	33	33⅛	
13¼	5⅛	UnionC				404	9½	9⅛	9⅜	−⅛
20⅜	8½	Winnbg	.20	1.7	23	1087	11⅞	11¼	11⅞	
9⅝	4⅞	Winner				105	5⅜	5⅛	5¼	−⅛
10⅝	4½	WinterJ	.10e	1.4	17	60	7⅜	7	7	−¼
55⅝	30¾	WiscEP	2.68	5.0	12	165	54	53½	53⅝	−⅝
27⅜	23¼	WisG pf	2.55	9.4		9	27⅜	27	27	−⅜
50	28⅛	WiscPL	2.84	5.7	12	72	50	49¾	49¾	−¼
51⅞	35¾	WiscPS	2.86	5.5	12	195	51¾	51⅛	51⅝	+⅞
57⅝	33	Witco	1.48	2.7	13	108	56	54½	54½	−2½
14	10	WolvrW	.12j		21	176	10⅝	10⅜	10½	−⅛
49	21⅝	Wlwth s	1.12	2.6	15	2226	45¼	43¾	43¾	−1½
5⅝	3	WrldAr				72	4⅝	4⅜	4⅜	−⅛
46½	24¼	Wrigly s	.96	2.3	19	202	41⅝	40½	41	−1
4⅛	2⅝	Wurlitzr				28	2⅝	2⅝	2⅝	−⅛
17½	10½	WyleLb	.32	2.8	36	89	11¾	11¼	11½	−⅜
25¾	15	Wynns	.60	2.7		161	22¾	21½	22	−1¼
		X Y Z								
72¼	45¾	Xerox	3	5.5	13	3734	54⅞	54	54¾	
58¼	53½	Xerox pf	5.45	9.8		7	56	55⅞	55⅞	−¼
28¾	20⅝	XTRA	.64	2.8		132	22⅝	22¼	22½	−¼
17⅝	13½	Yorkin n				455	16	15½	16	+⅛
39	26¼	ZaleCp	1.32	3.6		112	37¼	36¼	36⅝	−⅞
10⅝	3½	Zapata	.03j			274	4⅜	4⅛	4⅛	
43⅞	23⅞	Zayre s	.32	.8	23	2147	38⅝	37	38	−1¼
17	11⅜	Zemex	.40	3.2	13	10	12⅞	12⅝	12⅝	−½
29⅞	16¼	ZenithE				1835	23½	22	22¼	−1⅜
18¼	8⅝	ZenLb s			18	3000	14	13¼	14	+⅜
22⅜	14¾	Zero s	.29	1.7	17	104	17½	16⅞	17¼	−½
45¾	33	Zurnin	1.32	3.8	12	211	36⅛	34½	35	−1½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 8

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Sell-off starts to lose steam

THE SELL-OFF continued on Wall Street yesterday, but the pace of the decline slowed, *writes Paul Hannon in New York.*

A more sombre mood developed in the bond market ahead of the Federal Reserve Board's short-term policy meeting, and prices dropped by up to ⅝ point in early trading.

At 3pm the Dow Jones industrial average was down 26.29 at 1,812.71.

Among the blue chips IBM fell a further $1½ to $143¾, General Motors lost $¾ to $49⅝, General Electric weakened $1¼ to $75½ and American Express slipped $¾ to $59.

The pharmaceuticals sector, which was in the forefront of the market's recent rally, took another bruising, with SmithKline Beckman down $3¼ at $95¾, Abbott Laboratories off $2½ at $48⅜, Upjohn $1¼ cheaper at $87⅞ and Pfizer $1 lower at $67¾.

Insurers, which resisted the worst of Monday's plunge, succumbed to the selling pressure. General Re led the way down with its $1¼ drop to $59¼ while Chubb traded $⅝ lower to $68¼. Traveller's at $48⅜ was $⅞ down.

The airline sector, which partially ignored the record fall of the previous session, continued to attract interest. People Express, the troubled discount carrier traded on the over-the-counter market, added a further $⅛ to $9⅝ as uncertainty grew over a bid from Texas Air, down $1¼ at $31⅛, and speculation continued over a possible takeover offer from some quarters.

Western Airlines picked up $½ to $9⅞ while Delta dipped $¼ to $39⅞. TWA, which agreed to sell half of its travel agency reservation system to Northwest Air, slipped $⅛ to $15.

Large department stores were actively traded lower as profit-takers sapped some of the sector's stamina. Associated Dry Goods, subject to a takeover attempt by May Department Stores, lost $⅝ to $65¼ in heavy trading. May declined $1⅜ to $79⅞ while Federated Department Stores, the most active issue on Monday with over 2m shares traded, fell a further $2⅜ to $81⅜

Specialist retailer Toys R Us firmed $⅜ to $32 in active trading. A block of 786,000 shares at $32 was crossed by Wertheim.

Ashland Oil gave up $¾ to $55 as the refiner and its former chairman settled SEC charges of foreign bribery violations over a 1980 oil purchase, without admitting or denying any wrongdoing.

Weyerhaeuser, the timber products group, moved against the trend with a gain of $⅛ to $33¼ despite the rejection by 7,300 striking workers of a two-year pay agreement.

James River, the chemicals and specialist papermaker, opened steady but later slipped $¼ to $24⅜ after it had revealed that it was selling to Mead Corporation its Zellerbach Distribution unit of its Crown Zellerbach subsidiary for $250m. Mead dropped $¾ to $47⅞.

The initial offering of 2m Harley Davidson shares was priced at $11 a share through underwriters Dean Witter Reynolds. Harley began trading with a gain of $⅛ at $11⅛ in heavy volume.

The bond market suffered an early fall with prices up to ⅝ lower.

The bellwether long bond, the 7¼ per cent issue due 2016, fell an early ¹⁶⁄₃₂ but later recovered to trade ¹⁴⁄₃₂ down at 100¹⁸⁄₃₂ to yield 7.19, the 10-year 7⅜ of 1996 opened with a loss of ¹⁶⁄₃₂ and later extended that to ²¹⁄₃₂ at 99²⁷⁄₃₂ yielding 7.40 per cent.

Federal funds opened at 6⅞ and later moved to 6¹³⁄₁₆ at which level the Fed announced a $1.5bn customer repurchase agreement.

Rates on Treasury bills jumped from Monday's auction level. The three-month issue at 5.91 per cent is 6 basis points higher while the six-month issue gained 9 basis points to 5.94 per cent. The rate on the one-year Treasury bill gained 9 basis points to 6.00 per cent.

Municipal bonds continued the downturn triggered late on Monday with fresh falls of up to ⅝.

LONDON

PESSIMISM sweeping Wall Street prompted a backlash in London, and the two main FT indices tumbled to register their shapest-ever points fall.

The FT Ordinary share index fell 30.1 to 1,317.7 while the more broadly based FT-SE 100 share dived 32 points to 1,599.

Shares and gilts were also hit by the June banking figures which showed a fresh rise of 1¼ per cent in money growth.

Longer-dated gilts were hardest hit and showed falls of up to 1¾ points. Index-lined issues, however, were immune to the surrounding mood and managed further small improvements.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28–29

TOKYO

Nervousness overcome by run to peak

THE OVERNIGHT plunge on Wall Street sent prices tumbling in Tokyo early yesterday morning, but buying interest soon revived to push the Nikkei average to another record at the close, *writes Shigeo Nishiwaki of Jiji Press.*

The stock average plummeted 229 early in the day, but bounced back sharply to finish the session 20.08 up at 17,734.15. Volume remained high at 907.15m shares, compared with Monday's 716.52m. Losers outpaced gainers by 449 to 399, with 138 issues unchanged.

The tumble was attributed to broad small-lot panic selling by individuals, promoted by the overnight record fall of 61.87 in the Dow Jones industrial average.

But the market regained stability as institutional investors remained calm and investors hunted bargains.

After the bout of selling, Ohbayashi attracted buyers, triggering a broad-based advance in public works-related shares on expectations of the Government's strong measures to reflate the economy mainly through an expansion of public works.

Ohbayashi gained Y24 to Y713, Taisei Y9 to Y580, Mitsui Construction Y22 to Y493 and Sekisui House Y70 to Y1,340.

Low-priced, large-capital issues were also spotlighted. Nippon Kokan topped the list of 10 most active stocks with 62m shares, firming Y9 to Y198. Mitsui Toatsu Chemicals ranked second on the list with 40.61m shares, gaining Y32 to Y402.

Among other large-capital chemicals favoured, Sumitomo Chemical advanced Y19 to Y449. Mitsui Toatsu Chemicals drew strength from its move into plant biotechnology and Sumitomo Chemical from rumours of the imminent stock listing of its subsidiary, Sumitomo Pharmaceutical.

Gas and electric power stocks were also favoured. Tokyo Gas rose Y5 to Y517. Tokyo Electric Power added Y60 to Y4,220 and Kansai Electric Power Y90 to Y2,800, both the highest on record since their listing.

Speculation about cornering pushed Keisei Electric Railway up Y35 to Y560 and Kyokuyo a limited Y80 to Y456.

High-tech issues lost ground on a broad front, partly because of wide fluctuations in the yen. Hitachi lost Y7 to Y810, NEC Y20 to Y1,400, and Nippon Kogaku Y10 to Y1,020.

The bond market plunged on small-lot selling with the yield on the bellwether 6.2 per cent government bond due in July 1995 rising to 4.680 per cent from Monday's 4.640 per cent. The yield on the quasi-benchmark 5.1 per cent government bond due in March 1996 climbed to 4.960 per cent from Monday's 4.875 per cent.

Prospects are growing for lower official discount rates in Japan and the US, but investors are concerned that another cut would be the last in the series of discount rate reductions since January.

They are also worried that the Government will issue deficit-covering bonds in huge volume to finance a large-scale supplementary budget, disturbing the bond supply-demand conditions.

HONG KONG

MODERATE SELLING by foreign fund managers led prices mostly lower in Hong Kong, and the Hang Seng index lost 9.28 to 1,752.24.

Property shares registered the heaviest losses, which brokers attributed to bearishness among investors rather than to any fundamental factor.

Cheung Kong fell 20 cents to HK$20.50, and Hang Lung Development dropped 5 cents to HK$6.65 while Sun Hung Kai Properties lost 10 cents to HK$12.30.

EUROPE

Pessimism bypasses Frankfurt

UNEASE over the record decline in New York combined with worries over the easier dollar to depress trading throughout Europe.

Frankfurt made early gains, however, as investors took advantage of the lower dollar to snap up shares. This rally was brief, though, and by the end of trading most issues had shed their early advances.

The Commerzbank index put on 8.1 to 1,822.8 after Monday's low for the year as turnover continued to be light.

Electrical Siemens slipped DM 2 to DM 603 on news that earnings for 1986 could remain at last year's levels. Siemens is engaged in talks with the French Government over a possible takeover of CGCT, the state-owned telecommunications group.

Stores continued to strengthen, with Horten up DM 12 at DM 177, Karstadt DM 3 at DM 350 and Kaufhof DM 9 at DM 445.

Veba, the utility which suffered last week from Bonn's announced intention to privatise the group, reversed its lower trend to end DM 4 higher at DM 261. But among other utilities, VEW was steady at DM 160.

An independent West German commission has proposed enabling the Cartel Office to block large mergers unless the link-up is expected to improve competitiveness. This follows the recent Daimler merger with AEG, making Daimler the largest West German company with annual sales of DM 65bn.

The scheduled launch of a new government loan stock on Thursday depressed bond trading, and prices ended

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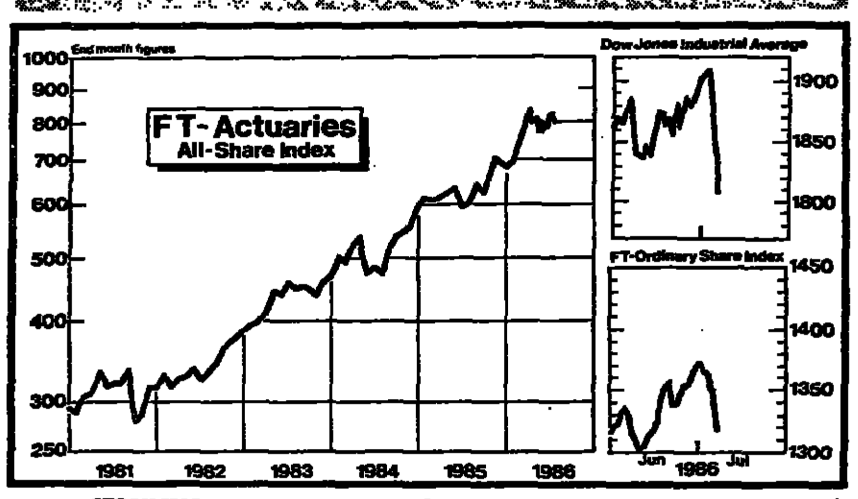

STOCK MARKET INDICES

NEW YORK	July 8	Previous	Year ago
DJ Industrials	1,812.71*	1,839.00	1,328.41
DJ Transport	751.13*	765.25	677.20
DJ Utilities	196.53*	198.95	168.65
S&P Composite	239.78*	244.05	191.93
LONDON			
FT Ord	1,317.7	1,347.8	932.0
FT-SE 100	1,599.0	1,631.0	1,258.2
FT-A All-share	795.05	809.04	599.35
FT-A 500	871.24	887.50	650.03
FT Gold mines	197.3	196.6	405.2
FT-A Long gilt	9.31	9.16	10.51
TOKYO			
Nikkei	17,734.15	17,714.07	13,029.8
Tokyo SE	1,369.63	1,366.20	1,054.01
AUSTRALIA			
All Ord.	1,125.2	1,136.2	897.0
Metals & Mins.	488.3	497.3	524.9
AUSTRIA			
Credit Aktien	240.10	241.56	98.05
BELGIUM			
Belgian SE	3,710.0	3,746.88	2,342.31
CANADA			
Toronto			
Metals & Minls	1,992.0*	2,035.9	1,868
Composite	2,999.9*	3,042.2	2,733.6
Montreal			
Portfolio	1,507.96*	1,525.64	133.93
DENMARK			
SE	216.56	218.89	205.29
FRANCE			
CAC Gen	366.10	372.60	218.2
Ind. Tendance	141.30	143.40	79.9
WEST GERMANY			
FAZ-Aktien	603.75	600.63	499.71
Commerzbank	1,822.80	1,814.70	1,472.7
HONG KONG			
Hang Seng	1,093.5	1,761.52	1,566.68
ITALY			
Banca Comm.	709.05	707.08	345.30
NETHERLANDS			
ANP-CBS Gen	289.50	293.30	220.9
ANP-CBS Ind	288.80	291.90	186.5
NORWAY			
Oslo SE	352.63	357.03	325.12
SINGAPORE			
Straits Times	733.46	725.38	746.46
SOUTH AFRICA			
JSE Golds	–	1219.8	987.9
JSE Industrials	–	1186.6	997.5
SPAIN			
Madrid SE	175.62	173.09	81.75
SWEDEN			
J & P	2,476.61	2,510.56	1,294.86
SWITZERLAND			
Swiss Bank Ind	548.60	557.10	469.1
WORLD	July 7	Prev	Year ago
MS Capital Int'l	326.7	331.0	218.4

COMMODITIES

(London)	July 8	Prev
Silver (spot fixing)	331.85p	328.00p
Copper (cash)	£870.50	£894.50
Coffee (September)	£1,645.50	£1,631.50
Oil (Brent blend)	$9.70	$9.925

GOLD (per ounce)

	July 7	Prev
London	$347.25	$344.75
Zürich	$347.25	$344.60
Paris (fixing)	$348.87	$344.40
Luxembourg	$345.75	$344.75
New York (Aug)	$351.20	$344.90

CURRENCIES

(London)	US DOLLAR July 8	Previous	STERLING July 8	Previous
$	–	–	1.5305	1.5345
DM	2.1805	2.1835	3.3375	3.35
Yen	160.85	160.75	246.25	246.75
FFr	6.9650	6.9675	10.6900	10.7225
SFr	1.7740	1.7810	2.7150	2.7325
Guilder	2.4560	2.4585	3.7575	3.7725
Lira	1,492	1,497	2,283.5	2,297
BFr	44.65	44.55	68.35	68.35
C$	1.3815	1.3795	2.1145	2.1160

INTEREST RATES

Euro-currencies (3-month offered rate)	July 8	Prev
£	10	10
SFr	4⅞	4⅞
DM	4⅝	4⅝
FFr	7⅝	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅞	6⅞
6-month US$	6⅞	6⅞
US Fed Funds	6¹³⁄₁₆*	6¹⁵⁄₁₆
US 3-month CDs	6.35*	6.575
US 3-month T-bills	5.915*	6.03

US BONDS

Treasury		July 8 Price	Yield	Prev Price	Yield
7⅞	1988	100⁷⁄₃₂	6.81	100⁹⁄₃₂	6.69
7¾	1993	99¹⁄₃₂	7.34	100⁸⁄₃₂	7.42
7⅜	1996	99²⁷⁄₃₂	7.419	100¹⁶⁄₃₂	7.29
7¼	2016	100¹⁸⁄₃₂	7.216	101¹⁄₃₂	7.145

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	July 8* Day's change	Yield	Day's change
1–30	152.62	−0.91	7.46	+0.12
1–10	145.07	−0.48	7.28	+0.11
1– 3	136.66	−0.21	6.95	+0.10
3– 5	146.88	−0.51	7.50	+0.12
15–30	179.72	−2.51	8.05	+0.15

Source: Merrill Lynch

Corporate	July 8 Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92¼	6.107	90⅛	6.63
SCBT South Central				
10⅞ Jan 1993	106.172	9.60	106.68	9.50
Phibro-Sal				
8 April 1996	98.327	8.25	99.31	8.10
TRW				
8⅞ March 1996	102.931	8.30	103.27	8.25
Arco				
9⅞ March 2016	104.184	9.45	105.53	9.32
General Motors				
8⅜ April 2016	92¼	8.87	92.90	8.80
Citicorp				
9⅜ March 2016	97.59	9.62	98.26	9.55

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	98–14	99–23	98–05	100–04
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.32	94.44	94.32	94.46
Certificates of Deposit (IMM) $1m points of 100%				
Sept	93.83	93.83	93.83	93.86
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.42	93.52	93.41	93.53
20-year Notional Gilt £50,000 32nds of 100%				
Sept	122–23	124–03	122–20	124–08

* Latest available figures